

**CITY OF LINCOLN**  
**AD HOC WATER RATE COMMITTEE**  
**MEETING #3 – CIP and FINANCIAL PLAN COMPLETION**  
**MEETING AGENDA**  
**Monday, March 20, 2017, 3:00 PM**  
**City Hall – First Floor Meeting Room**

- I. Introductions
- II. Review of Reserve Account Assumptions
  - a) Rate Stabilization Reserve
  - b) Emergency Reserve – consider part of existing Capital Reserve
  - c) Increase Operating Reserve to 6 mos. O&M
- III. Capital Improvement Plan
  - a) Low, medium and high CIP scenarios – to be presented and explained by City staff
  - b) AMI discussion – What is it and what are the pros and cons?
  - c) Financial Plan model revenue output
- IV. Review of Pricing Objectives Exercise
  - a) Review results
  - b) Indicated rate structure based on feedback
- V. Next Committee Meeting – April 3, 2017
  - a) Cost of Service Analysis
  - b) Proposed rate structures



# City of Lincoln Water Rate Study

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Ad Hoc Water Rate Committee  
Meeting #3 – March 20, 2017

# TODAY'S AGENDA

1. Introductions
2. Review of Reserve Account Recommendations
3. Today's Focus – Capital Improvement Plan
4. Review of Pricing Objectives “Homework”
5. Next Meeting – Date and Topics

# CITY OF LINCOLN INTRODUCTIONS

- City of Lincoln
  - » New Committee Member – Paul Jansen
  - » Guest Presenter – Ray Leftwich, City Engineer

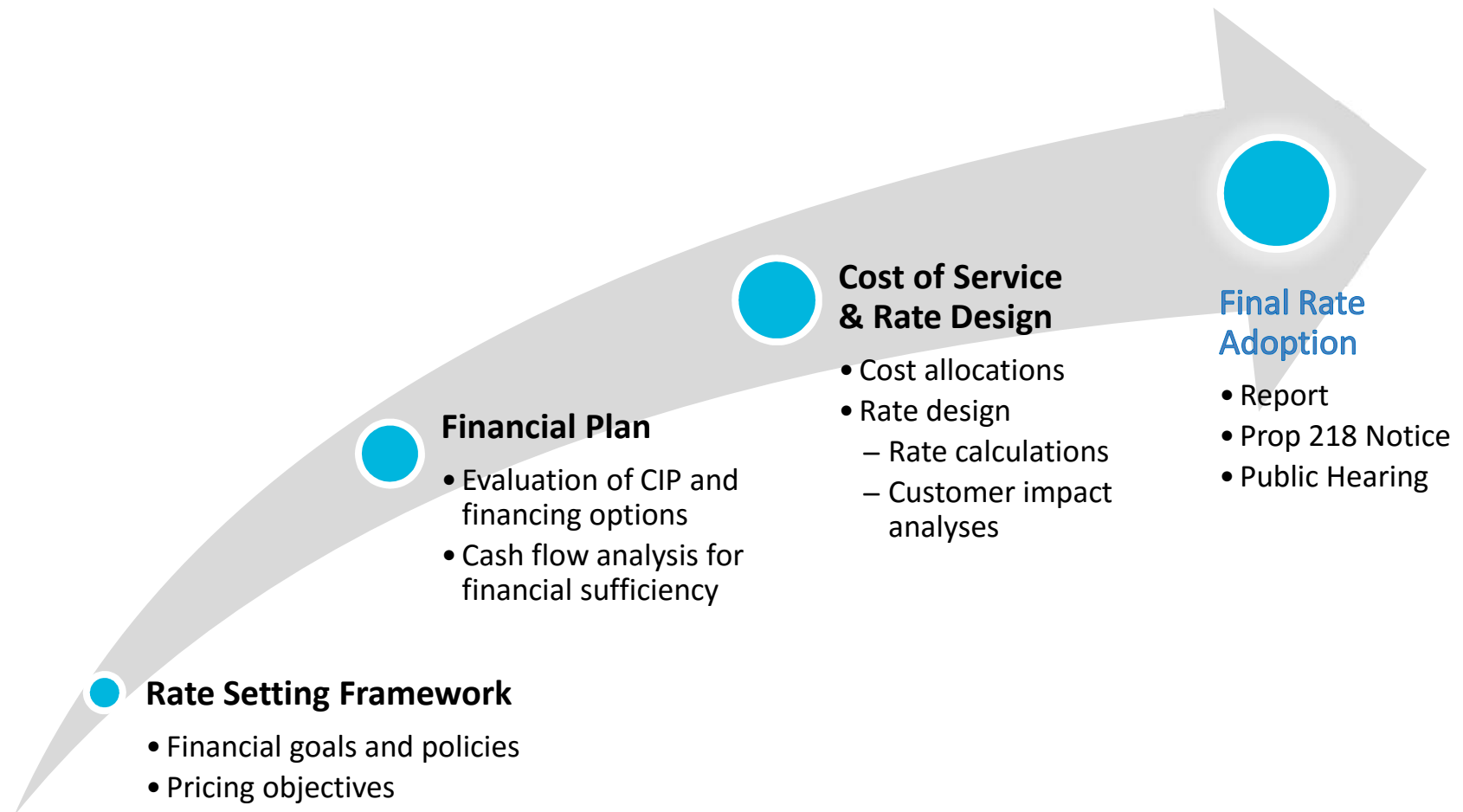
# SCHEDULE

Task #	Task Descriptions	Due on or before:
1.2	Project Management and Initiation/Kick-off	February 3
	City Provides Data per Data Request	
2	Financial Plan Model Development	End of February
3	Financial Plan Workshop	Week of March 6, March 20
4	Cost of Service Analysis	Beginning of March
5.1	Calculate Water Rates	Mid March
5.2	Perform Customer Impact Analysis	Mid March
6	Rate Workshop	Beginning of April

# SCHEDULE CONT'D

Task #	Task Descriptions	Due on or before:
7.1	Draft Report	4/14
7.2	Finalized Report	4/28
7.3	Rate Study Presentation	5/9
8	Proposition 218 Public Hearing	7/25
9	Proposition 218 Assistance (Optional Task)	

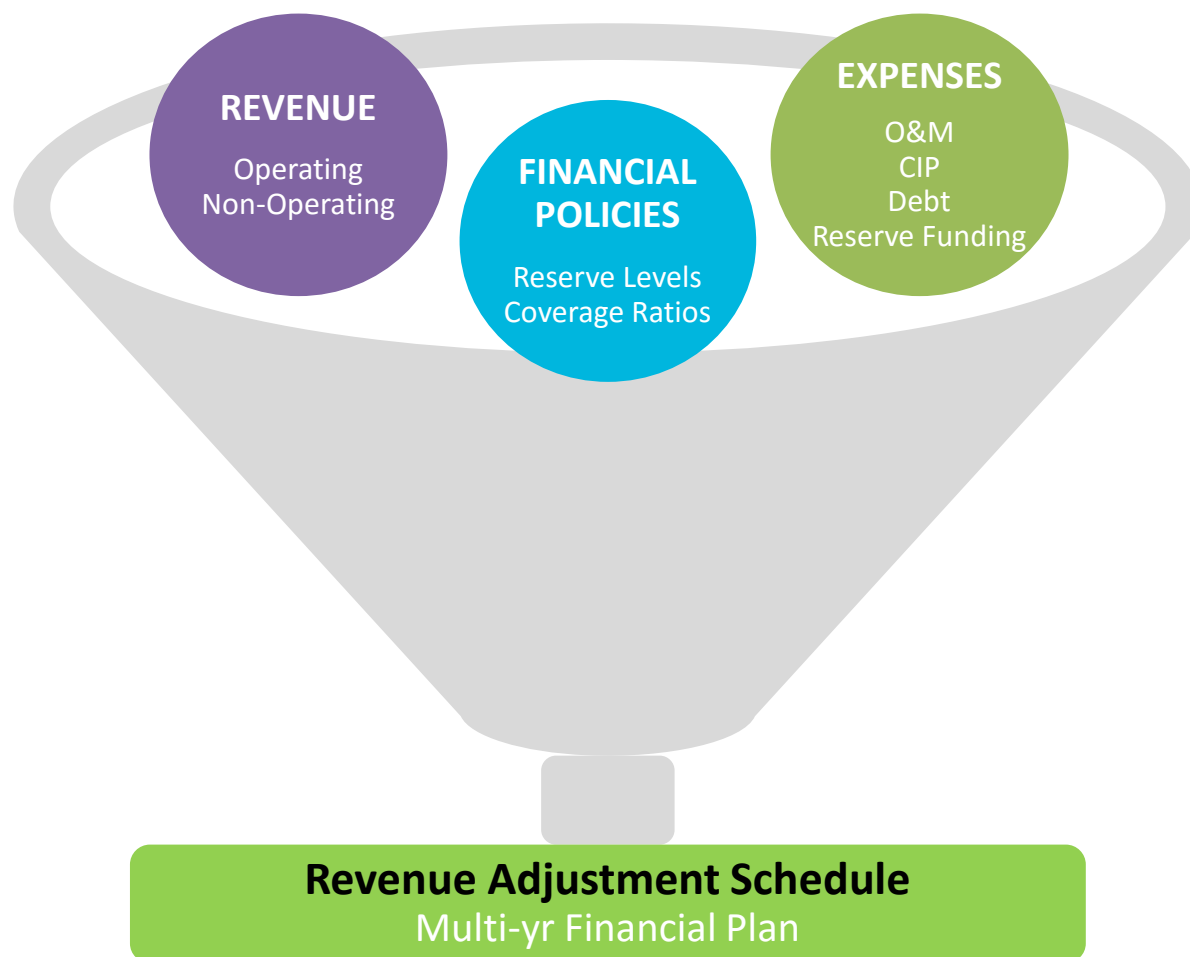
# STEPS IN CONDUCTING A RATE STUDY



# **Financial Plan Policies & Assumptions**



# FINANCIAL PLAN



# FINANCIAL PLAN COST ESCALATION ASSUMPTIONS

Key Inputs		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Cost Escalation Factors</b>							
	General	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Salary	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Part Time Salaries	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	PERS Unfunded	0.0%	15.0%	20.0%	25.0%	30.0%	35.0%
	Benefits	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
	SUI	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	FICA	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Chemicals, Fuel, Oil, Supplies		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
	Utilities	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
	Construction	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Communications	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Insurance	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Water Supply Cost Increases		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Engineering	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
	No Escalation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

# KEY FINANCIAL PLAN ASSUMPTIONS

- Utilities costs – model assumes 18% annual increase
- Water costs – model assumes 5% annual increases
- Unfunded Accrued Liability (UAL) PERS payments – model assumes increases of 15/20/25/30/35% (FY 2018-FY 2021)

**VERIFY COMMITTEE COMMENTS:** Assumptions are ok giving what is known. Budget impact is relatively minimal for utilities and UAL PERs.

# FINANCIAL PLAN ASSUMPTIONS –

Cost Escalator	FY 2017 Budgeted Amount	PCT Total O&M	FY 2018 Projected Expense	PCT Total O&M	\$ Change FY 2017 to FY 2018
General	\$458,840	4.2%	\$280,674	2%	-\$178,166
Salary	\$1,255,656	11.4%	\$1,318,439	12%	\$62,783
Part Time Salaries	\$34,551	0.3%	\$35,588	0%	\$1,037
PERS Unfunded	\$81,502	0.7%	\$93,727	1%	\$12,225
Benefits	\$221,931	2.0%	\$239,685	2%	\$17,754
SUI	\$177,217	1.6%	\$178,989	2%	\$1,772
FICA	\$56,935	0.5%	\$59,782	1%	\$2,847
Chemicals, Fuel, Oil, Supplies	\$156,215	1.4%	\$162,464	1%	\$6,249
Utilities	\$147,650	1.3%	\$180,986	2%	\$33,336
Construction	\$0	0.0%	\$0	0%	\$0
Communications	\$5,248	0.0%	\$5,510	0%	\$262
Insurance	\$28,909	0.3%	\$30,354	0%	\$1,445
Water Supply Cost Increases	\$7,250,000	66.0%	\$7,907,831	70%	\$657,831
Engineering	\$719,307	6.6%	\$791,238	7%	\$71,931
No Escalation	\$384,849	3.5%	\$25,000	0%	-\$359,849

# IMPORTANCE OF FINANCIAL POLICIES

- To maintain financial solvency
  - » Provide funds for coping with fiscal emergencies (e.g., revenue short-falls, asset failure, emergencies, etc.)
- To provide guidelines for sound financial management with an overall long-range perspective
- To enhance financial management transparency
- Enhance credit ratings if debt is considered.

# TYPICAL RESERVE POLICIES

Reserves	Target Levels	Bases
<b>Operating Reserve</b>	≥ 90 days (25% of O&M)	Monthly billing
<b>Capital Reserve</b>	1 Year of Average CIP Expenditure	Industry Norm
<b>Rate Stabilization Fund</b>	10 - 20% of Volumetric Revenue	Revenue sensitivity analysis
<b>Emergency</b>	Critical Asset Repair	Critical Asset Study

# SUGGESTED LINCOLN RESERVE POLICIES

Reserves	Target Levels	Bases
<input checked="" type="checkbox"/> <b>Operating Reserve</b>	≈ 180 days (50% of O&M)	Monthly billing
<input checked="" type="checkbox"/> <b>Capital Reserve</b>	1 Year of Average CIP Expenditure	Industry Norm
<input type="checkbox"/> <b>Rate Stabilization Fund</b>	10 - 20% of Volumetric Revenue	Revenue sensitivity analysis
<input type="checkbox"/> <b>Emergency</b>	Critical Asset Repair	Critical Asset Study



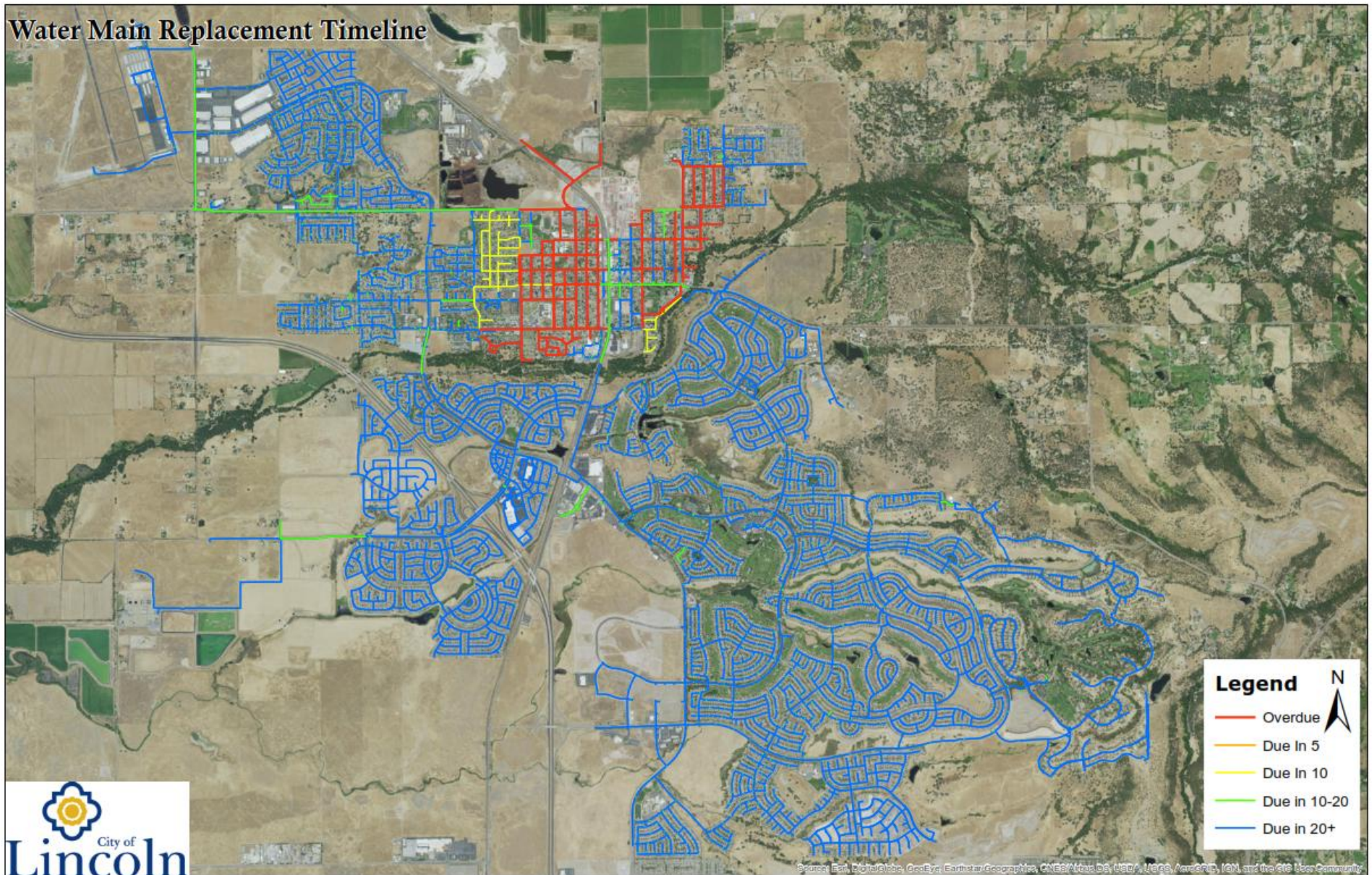
# **EXPANDED CIP DISCUSSION**



# CAPITAL IMPROVEMENT PLAN

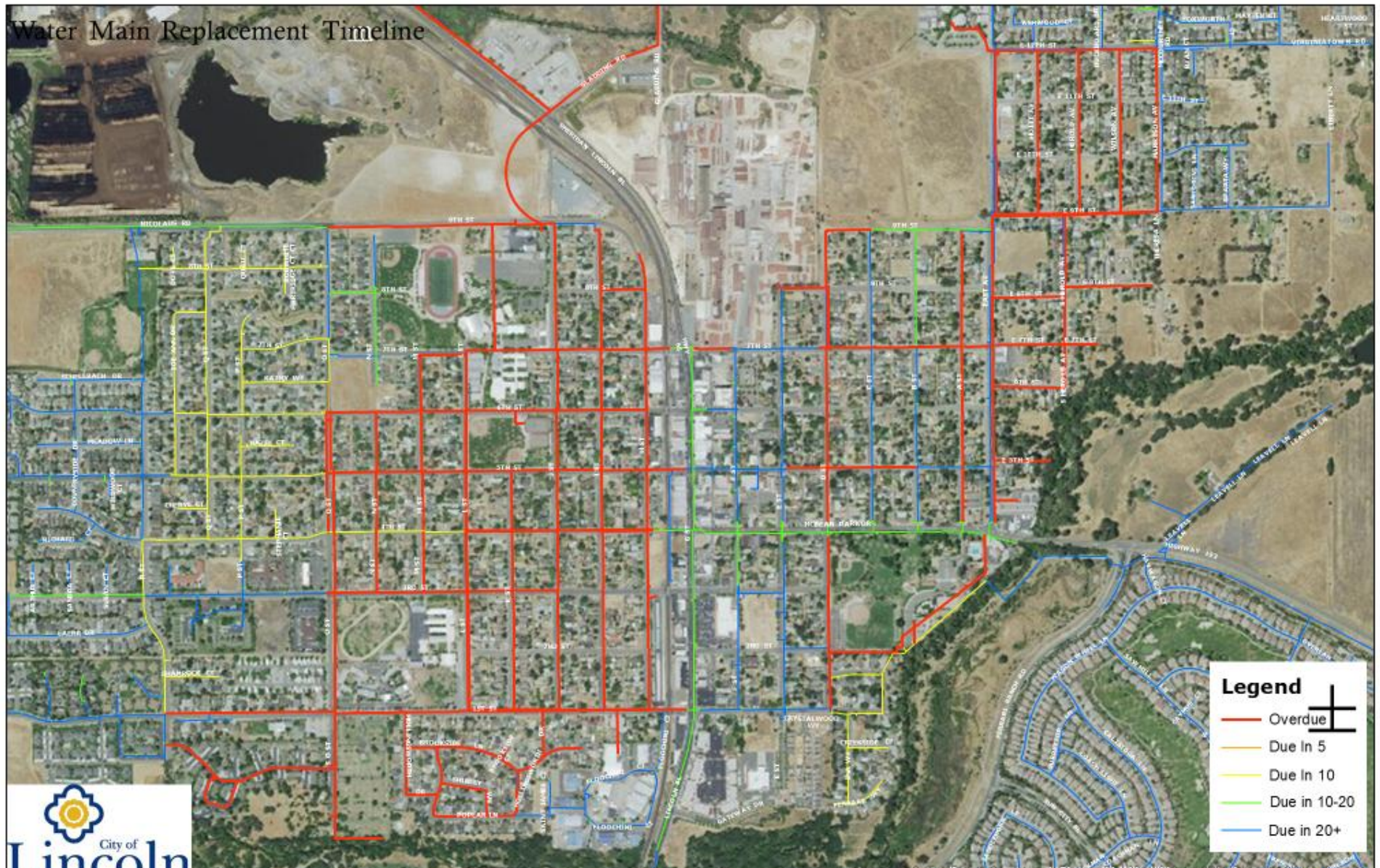
- 3 MG Tank – Maintenance and repairs - FYs 2017-2018
- 5 MG Storage Tank - \$5.5 M – FYs 2020-2021 - ***New***
- Systematic annual pipeline upgrade/replacement - ***New***
  - ***Low***
  - ***Medium***
  - ***High***
  - ***Future (past 20 years, not included in Model)***
- AMI Meter Program - \$7.2 M – FYs 2019-2021 – ***New***
  - ***Now or later?***

# Water Main Replacement - Overview



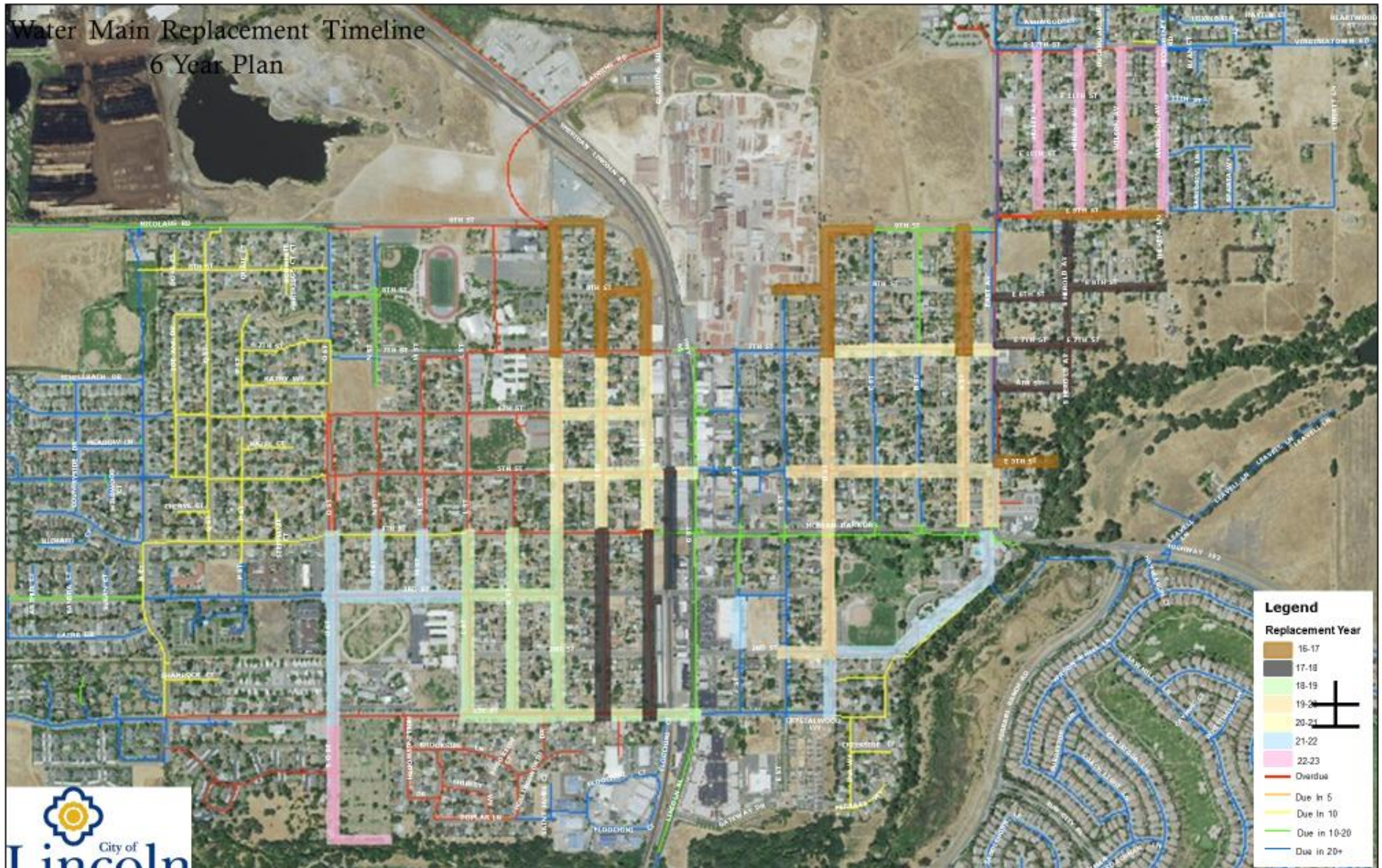


# WATER MAIN REPLACEMENT TIMELINE





# WATER MAIN REPLACEMENT 6 YEAR PROJECT TIMELINE



# Low Project Delivery

WATER PROJECTS TIMELINE			
CITY OF LINCOLN			
LOW PROJECT DELIVERY			
(REPLACE OVERDUE WATERLINES AT CURRENT SPENDING LEVEL)			
NO. OF YEARS	FISCAL YEAR	LENGTH OF PIPE (MILES)	COST/YEAR
1	17/18	1.4	\$ 2,600,000
2	18/19	1.4	\$ 2,600,000
3	19/20	1.4	\$ 2,600,000
4	20/21	1.4	\$ 2,600,000
5	21/22	1.4	\$ 2,600,000
6	22/23	1.4	\$ 2,600,000
7	23/24	1.4	\$ 2,600,000
8	24/25	1.4	\$ 2,600,000
9	25/26	1.4	\$ 2,600,000
10	26/27	1.4	\$ 2,600,000
11	27/28	1.4	\$ 2,600,000
12	28/29	1.4	\$ 2,600,000
13	29/30	1.4	\$ 2,600,000
14	30/31	1.4	\$ 2,600,000
15	31/32	1.4	\$ 2,600,000
16	32/33	1.4	\$ 2,600,000
TOTAL		23.0	\$41,600,000.00

# MEDIUM PROJECT DELIVERY

WATER PROJECTS TIMELINE			
CITY OF LINCOLN			
MEDIUM PROJECT DELIVERY			
(REPLACE OVERDUE WATERLINES WITHIN 10 YEARS)			
NO. OF YEARS	FISCAL YEAR	LENGTH OF PIPE (MILES)	COST/YEAR
1	17/18	1.9	\$ 3,450,000
2	18/19*	1.9	\$ 3,700,000
3	19/20*	1.9	\$ 3,700,000
4	20/21*	1.9	\$ 8,450,000
5	21/22	1.9	\$ 3,450,000
6	22/23	1.9	\$ 3,450,000
7	23/24	1.9	\$ 3,450,000
8	24/25	1.9	\$ 3,450,000
9	25/26	1.9	\$ 3,450,000
10	26/27	1.9	\$ 3,450,000
	TOTAL	18.9	\$ 40,000,000

\* Cost/Year includes construction of 5 MG Storage Tank near Boulder Court

# MEDIUM PROJECT DELIVERY

WATER PROJECTS TIMELINE			
CITY OF LINCOLN			
HIGH PROJECT DELIVERY (REPLACE OVERDUE WATERLINES WITHIN 5 YEARS)			
NO. OF YEARS	FISCAL YEAR	LENGTH OF PIPE (MILES)	COST/YEAR
1	17/18	3.6	\$ 6,625,000
2	18/19*	3.6	\$ 6,875,000
3	19/20*	3.6	\$ 6,875,000
4	20/21*	3.6	\$ 11,625,000
5	21/22	3.6	\$ 6,625,000
	TOTAL	18.2	\$ 38,625,000

\* Cost/Year includes construction of 5 MG Storage Tank near Boulder Court



# LOW, MEDIUM, HIGH CAPITAL IMPROVEMENT PLANS

CIP Key Inputs	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Construction	3%	3%	3%	3%	3%	3%	3%
Cumulative Construction Inflation	103%	106%	109%	113%	116%	119%	123%
Selected Option: Medium Project Delivery							
Projected Costs	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Low Project Delivery</b>							
3 MG Tank Maintenance and Repairs	\$15,450	\$371,315	\$0	\$0	\$0	\$0	\$0
5 MG Storage Tank	\$0	\$0	\$0	\$562,754	\$5,796,370	\$0	\$0
Waterline Upgrade CIP	\$2,645,916	\$2,758,340	\$2,841,090	\$2,926,323	\$3,014,113	\$3,104,536	\$3,197,672
AMI Meter Program      0% Rate Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$2,661,366</b>	<b>\$3,129,655</b>	<b>\$2,841,090</b>	<b>\$3,489,077</b>	<b>\$8,810,483</b>	<b>\$3,104,536</b>	<b>\$3,197,672</b>
<b>Medium Project Delivery</b>							
3 MG Tank Maintenance and Repairs	\$15,450	\$371,315	\$0	\$0	\$0	\$0	\$0
Waterline Upgrade CIP      includes 5MG ta	\$2,645,916	\$3,660,105	\$4,043,090	\$4,164,383	\$9,795,866	\$4,119,480	\$4,243,065
AMI Meter Program	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$2,661,366</b>	<b>\$4,031,420</b>	<b>\$4,043,090</b>	<b>\$4,164,383</b>	<b>\$9,795,866</b>	<b>\$4,119,480</b>	<b>\$4,243,065</b>
<b>High Project Delivery</b>							
3 MG Tank Maintenance and Repairs	\$15,450	\$371,315	\$0	\$0	\$0	\$0	\$0
Waterline Upgrade CIP      includes tank	\$2,645,916	\$7,028,463	\$7,512,498	\$7,737,873	\$13,476,561	\$7,910,596	\$2,195,325
AMI Meter Program	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$2,741,206</b>	<b>\$7,850,424</b>	<b>\$8,209,110</b>	<b>\$8,709,044</b>	<b>\$15,623,028</b>	<b>\$9,445,666</b>	<b>\$2,699,973</b>



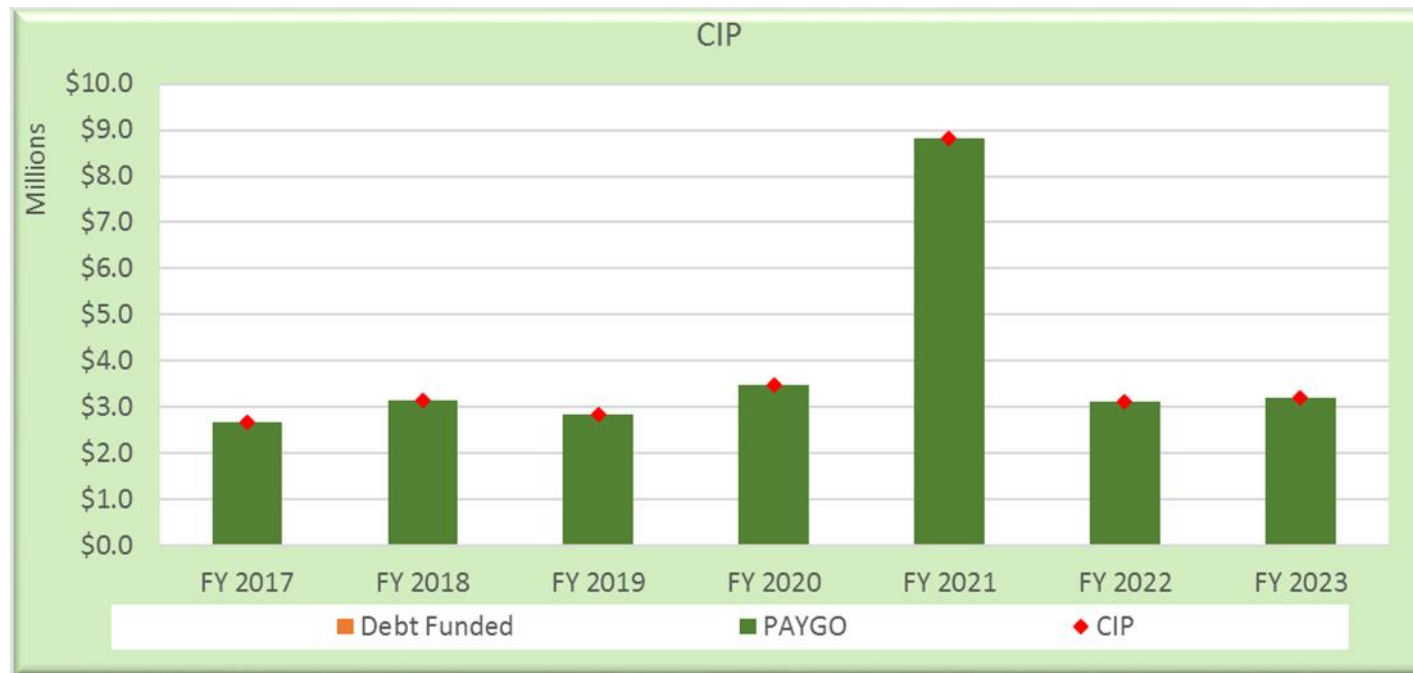
# SAMPLE: REVENUE ADJUSTMENTS

## LOW PROJECT DELIVERY

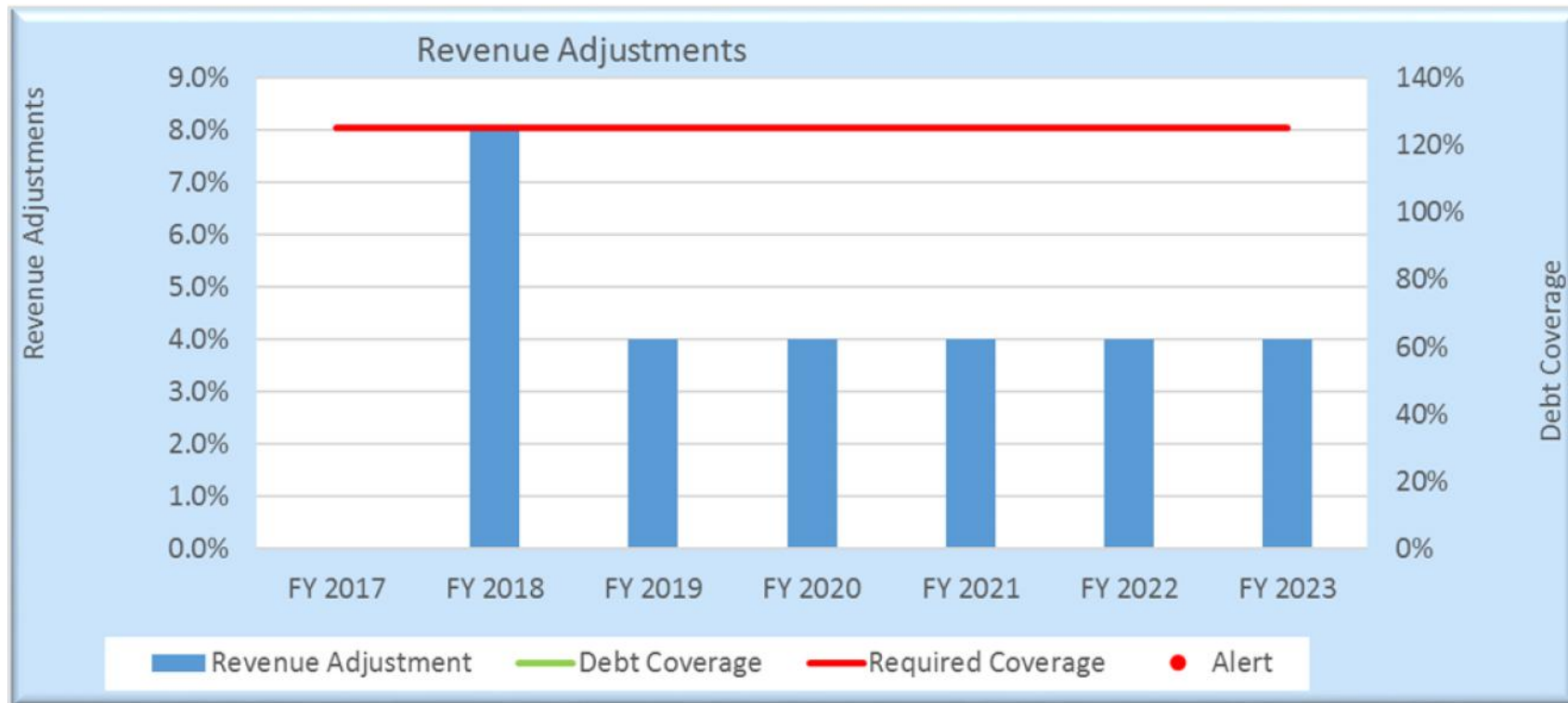
Dashboard		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Control Panel								
Revenue Adjustment			8.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Effective Month		Jul	Jul	Jul	Jul	Jul	Jul	Jul
Demand Factor		106.0%	104.0%	103.0%	100.0%	100.0%	100.0%	100.0%
Net Operating Revenue		\$3,852,744	\$4,969,745	\$4,999,913	\$5,039,285	\$5,028,035	\$4,953,162	\$4,754,917
<b>Supply Mix</b>								
Groundwater		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
PCWA		90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Transfer to Fund 711					\$0	\$750,000	\$1,250,000	\$1,000,000
Debt Issuance Amount								
Years Displayed	7							
CIP Option	Low Project Delivery							
Financial Policy								
Operating Reserve	50.0% of O&M							
Capital Reserve	100.0% of one-yr. avg. CIP							
Rate Stabilization Fund								
Emergency								
Required Debt Coverage	125.0%							

# ***SAMPLE: CIP ANNUAL EXPENDITURES***

## **LOW PROJECT DELIVERY**

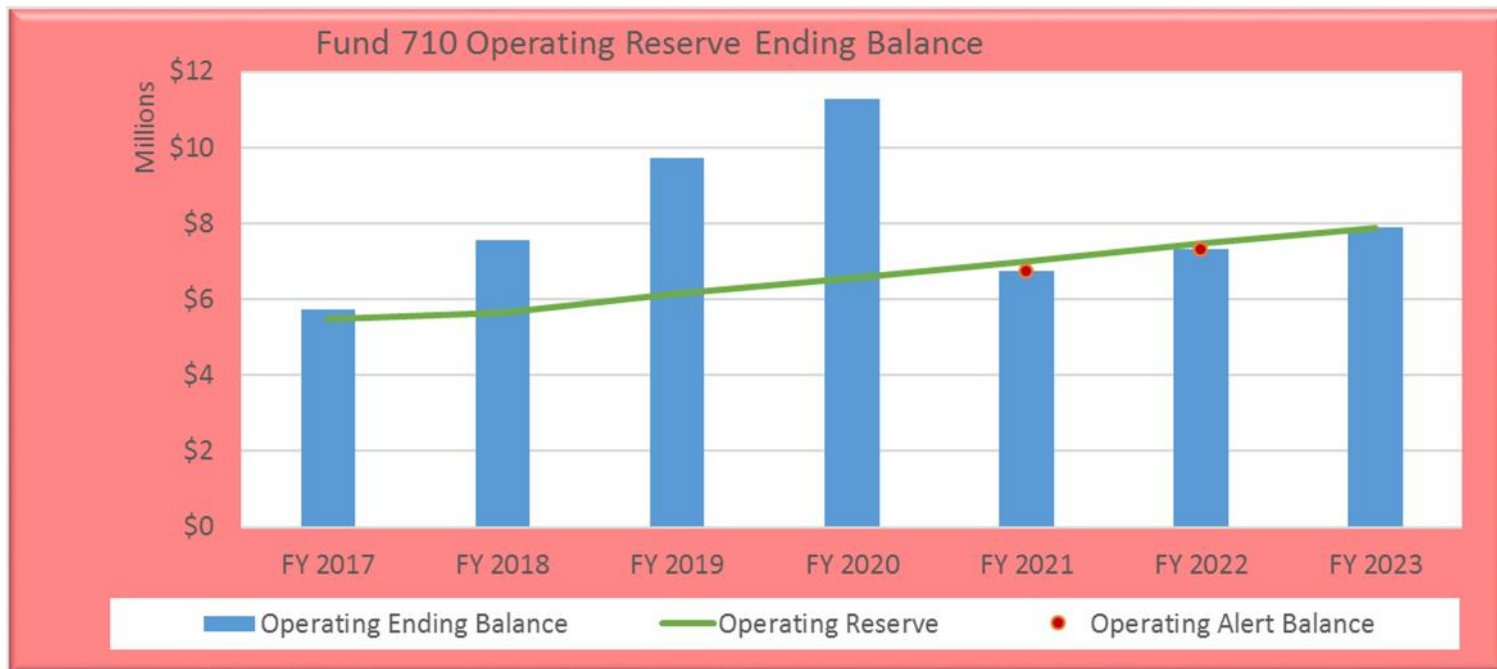


# *SAMPLE:* REVENUE ADJUSTMENTS LOW PROJECT DELIVERY



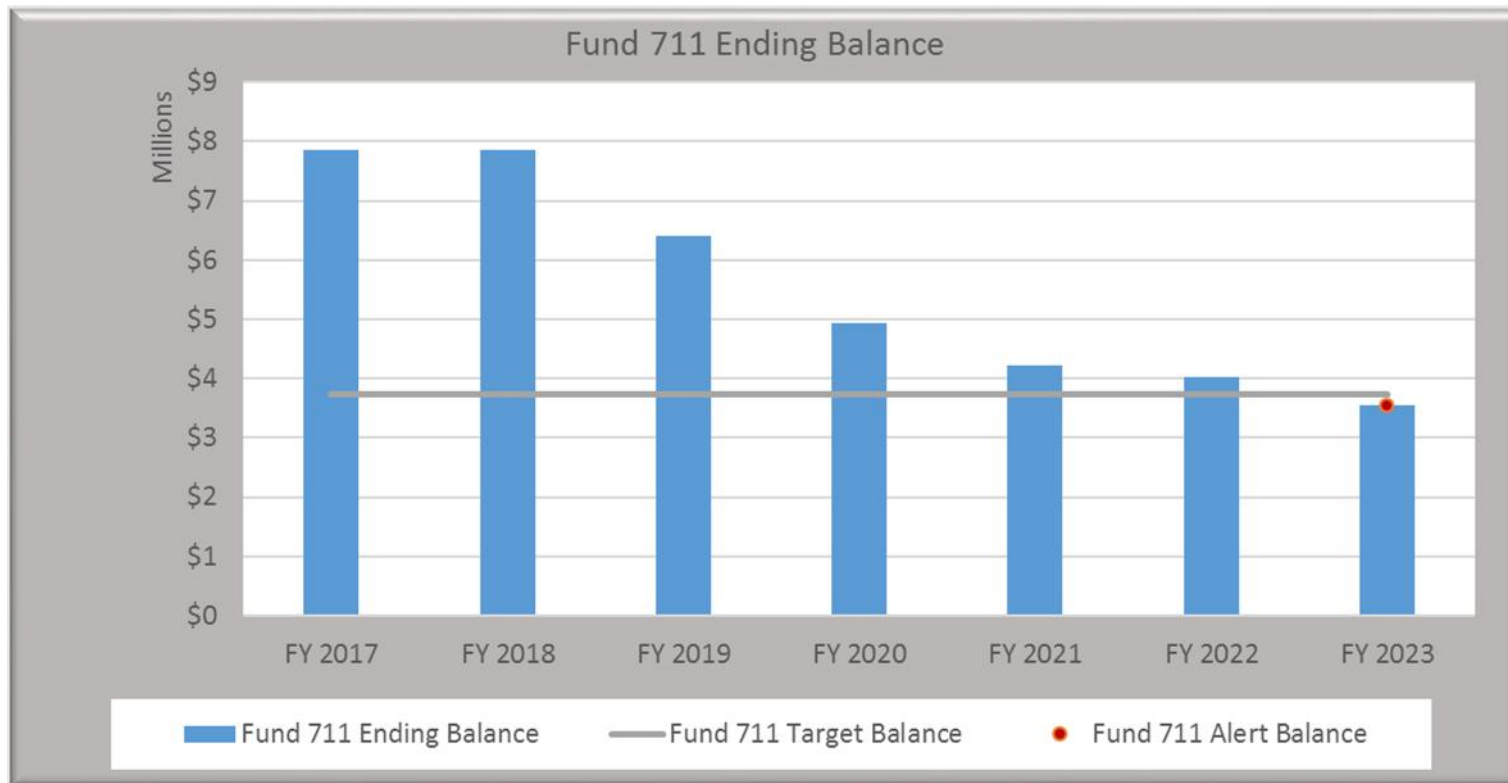
# ***SAMPLE: OPERATING FUND BALANCES***

## **LOW PROJECT DELIVERY**

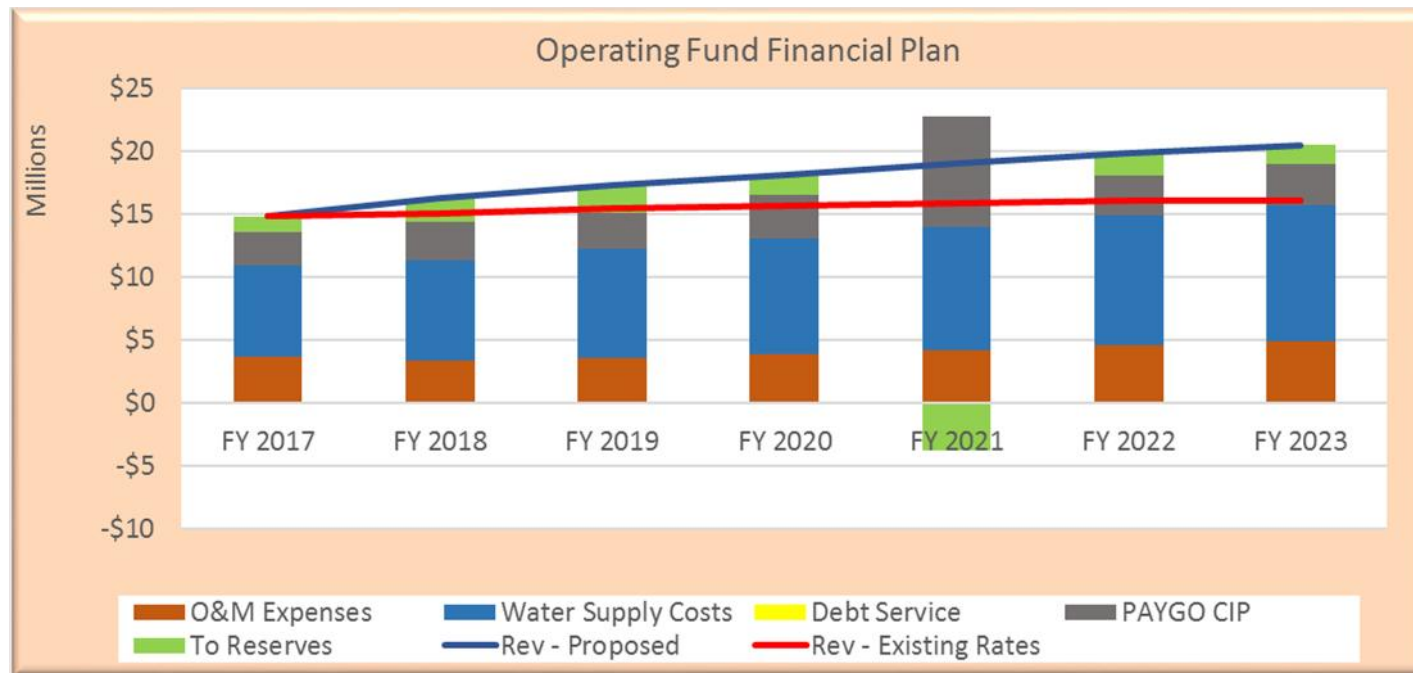


# SAMPLE FUND 711 ENDING BALANCES

## LOW PROJECT DELIVERY



# SAMPLE: FINANCIAL PLAN RESULTS LOW PROJECT DELIVERY



# SAMPLE: REVENUE ADJUSTMENTS

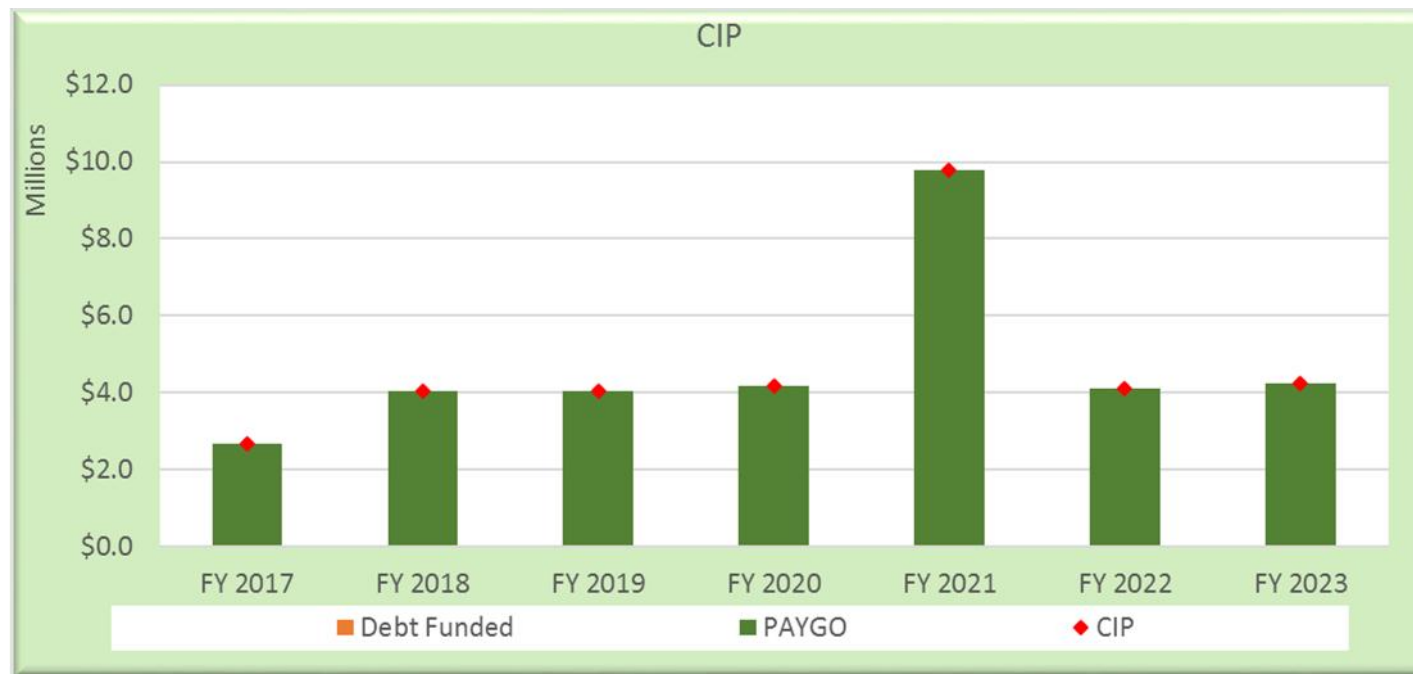
## MEDIUM PROJECT DELIVERY

Dashboard	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Control Panel							
Revenue Adjustment		12.0%	6.0%	6.0%	4.0%	4.0%	4.0%
Effective Month	Jul	Jul	Jul	Jul	Jul	Jul	Jul
Demand Factor	106.0%	104.0%	103.0%	100.0%	100.0%	100.0%	100.0%
Net Operating Revenue	\$3,852,744	\$5,563,268	\$5,912,672	\$6,272,282	\$6,277,225	\$6,218,704	\$6,020,459
<b>Supply Mix</b>							
Groundwater	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
PCWA	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Transfer to Fund 711				\$0	\$1,000,000	\$1,500,000	\$1,250,000
Debt Issuance Amount							
Years Displayed	7						
CIP Option	Medium Project Delivery						
Financial Policy							

Operating Reserve	50.0%	of O&M
Capital Reserve	100.0%	of one-yr. avg. CIP
Rate Stabilization Fund		
Emergency		
Required Debt Coverage	125.0%	

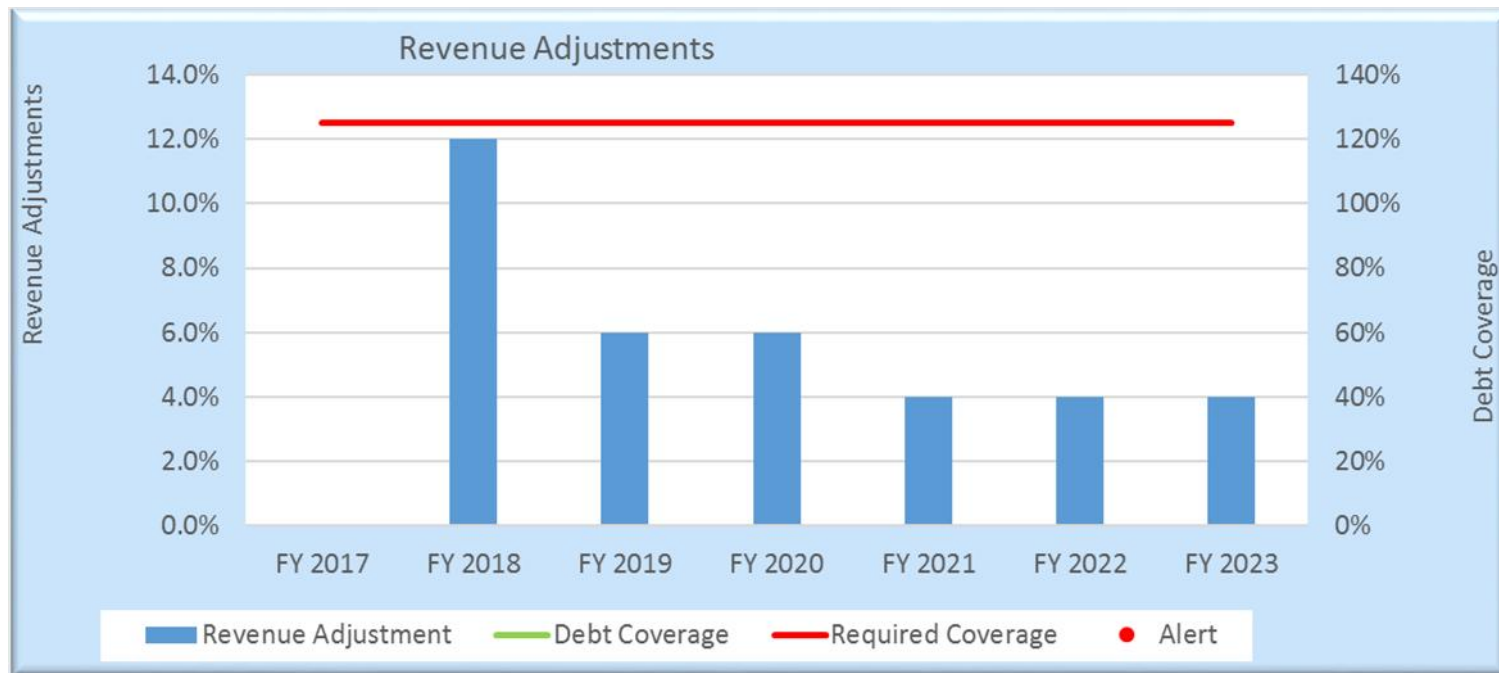
# ***SAMPLE: CIP ANNUAL EXPENDITURES***

## **MEDIUM PROJECT DELIVERY**





# SAMPLE: REVENUE ADJUSTMENTS MEDIUM PROJECT DELIVERY



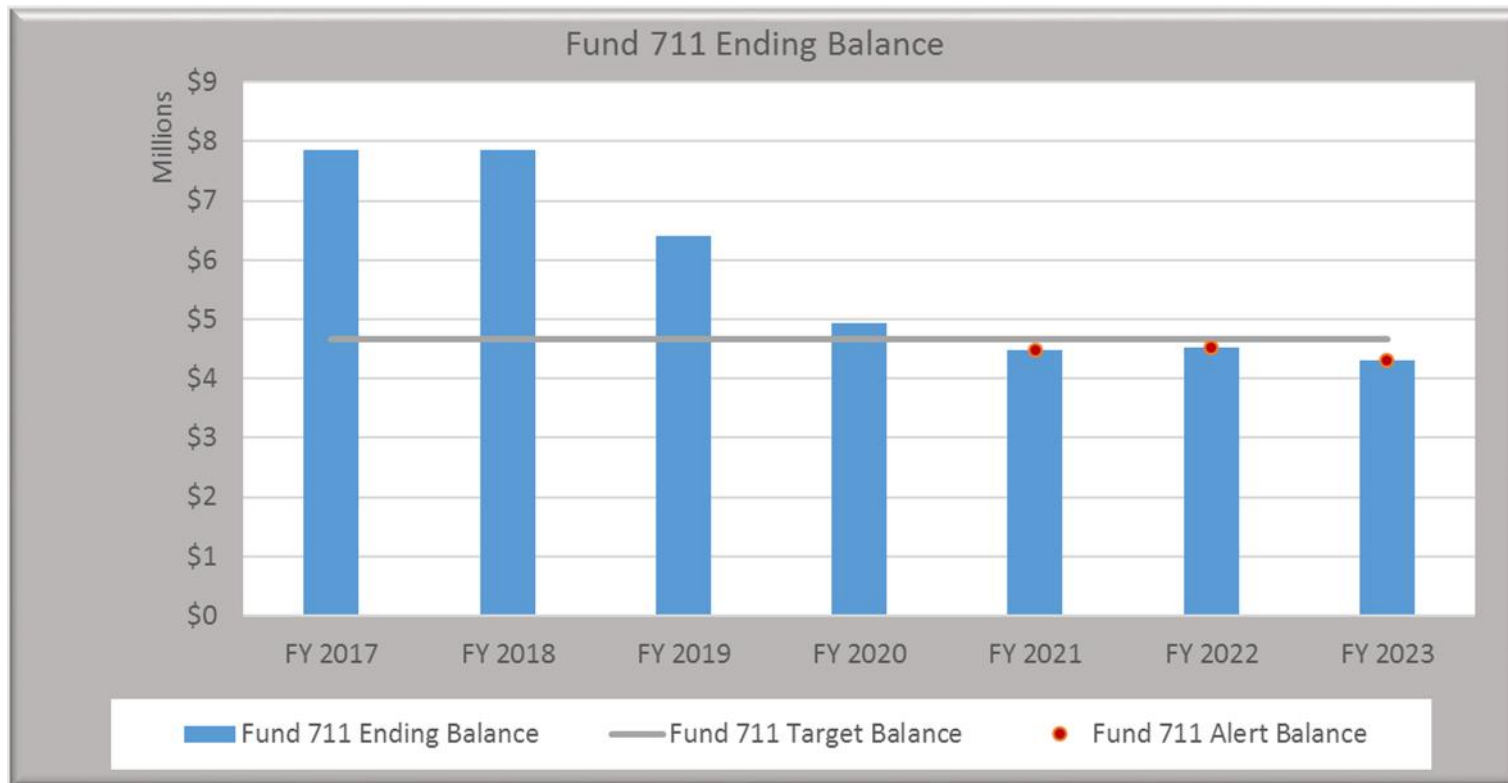
# ***SAMPLE: OPERATING FUND BALANCES***

## **MEDIUM PROJECT DELIVERY**

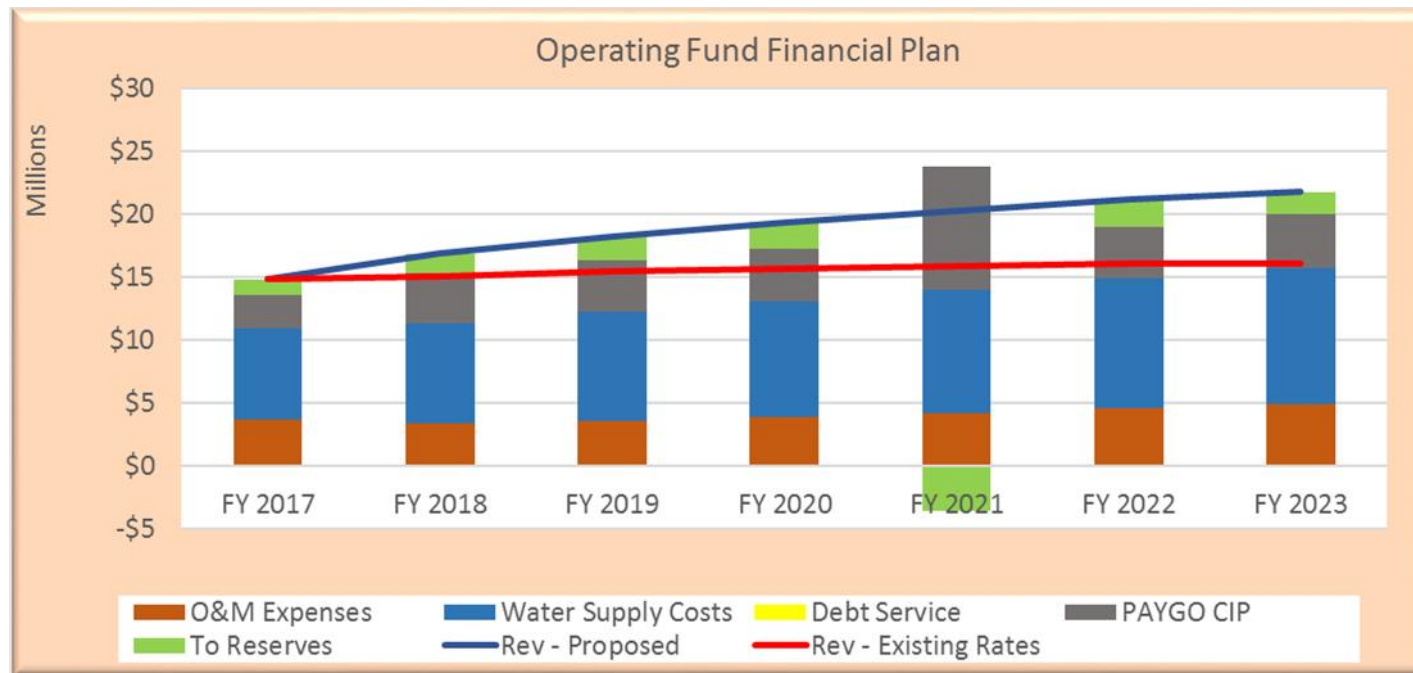


# SAMPLE FUND 711 ENDING BALANCES

## MEDIUM PROJECT DELIVERY



# SAMPLE: FINANCIAL PLAN RESULTS LOW PROJECT DELIVERY



# SAMPLE: REVENUE ADJUSTMENTS

## HIGH PROJECT DELIVERY

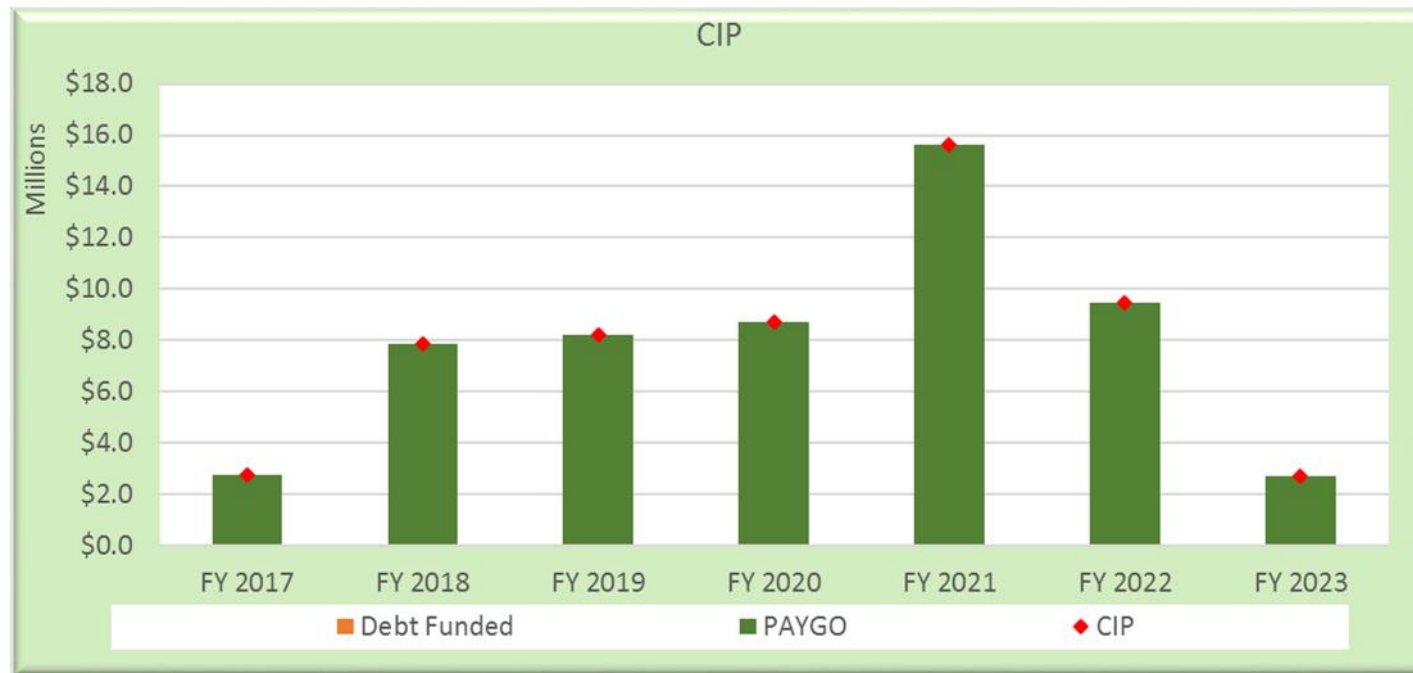
Dashboard	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Control Panel							
Revenue Adjustment		25.0%	15.0%	12.0%	10.0%	8.0%	0.0%
Effective Month	Jul	Jul	Jul	Jul	Jul	Jul	Jul
Demand Factor	106.0%	104.0%	103.0%	100.0%	100.0%	100.0%	100.0%
Net Operating Revenue	\$3,852,744	\$7,492,216	\$9,259,455	\$10,587,772	\$11,586,282	\$12,230,028	\$11,399,013
<b>Supply Mix</b>							
Groundwater	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
PCWA	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Transfer to Fund 711				\$0			\$6,000,000
Debt Issuance Amount							
Years Displayed	7						
CIP Option	High Project Delivery						

### Financial Policy

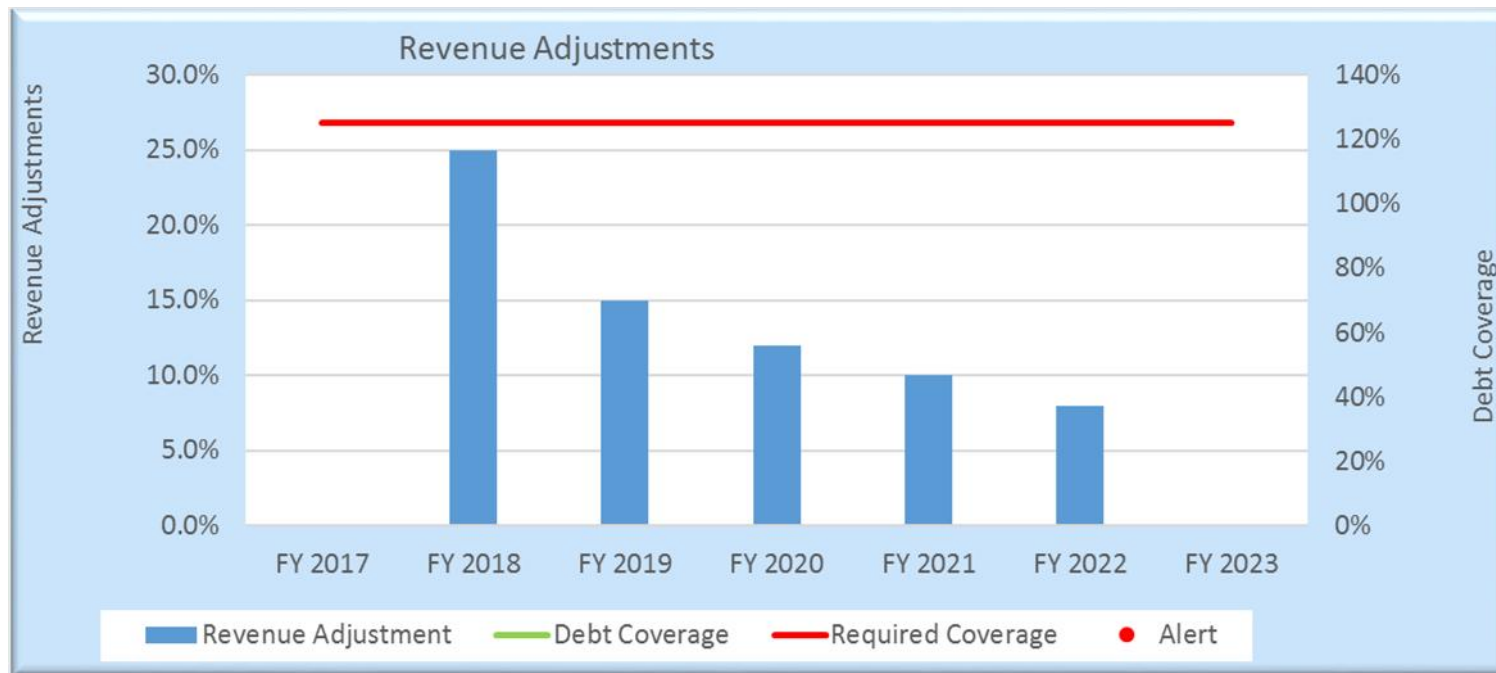
Operating Reserve	50.0% of O&M
Capital Reserve	100.0% of one-yr. avg. CIP
Rate Stabilization Fund	
Emergency	
Required Debt Coverage	125.0%

# ***SAMPLE: CIP ANNUAL EXPENDITURES***

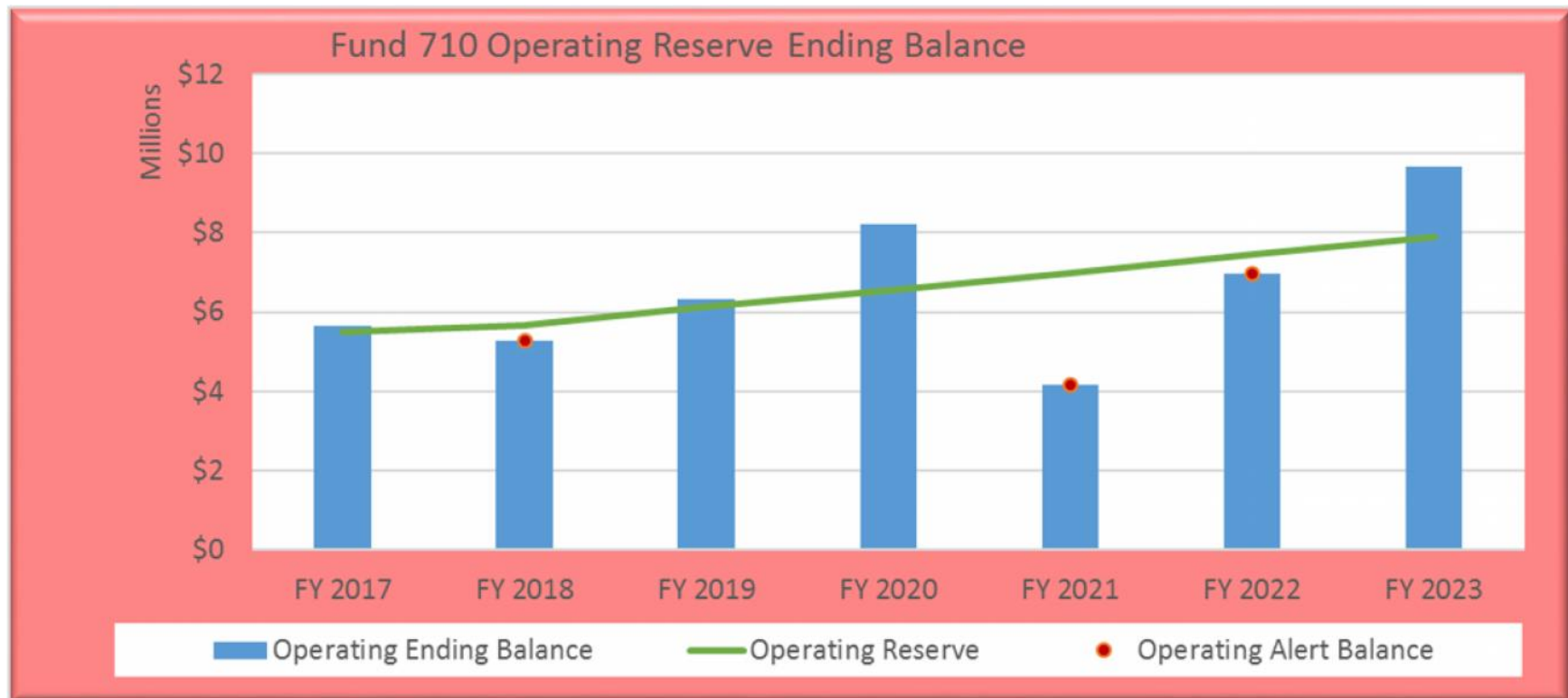
## **HIGH PROJECT DELIVERY**



# SAMPLE: REVENUE ADJUSTMENTS HIGH PROJECT DELIVERY

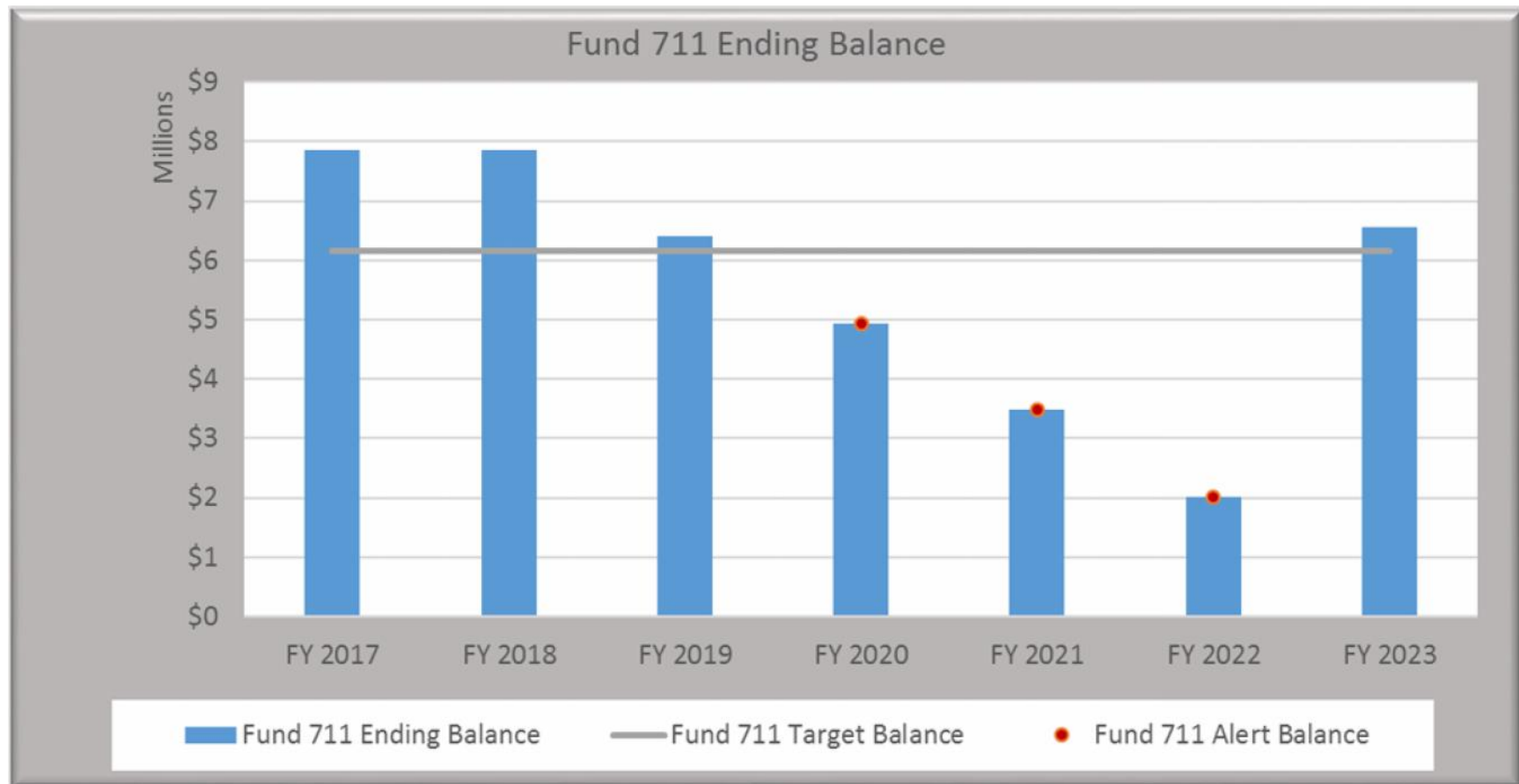


# SAMPLE: OPERATING FUND BALANCES LOW PROJECT DELIVERY

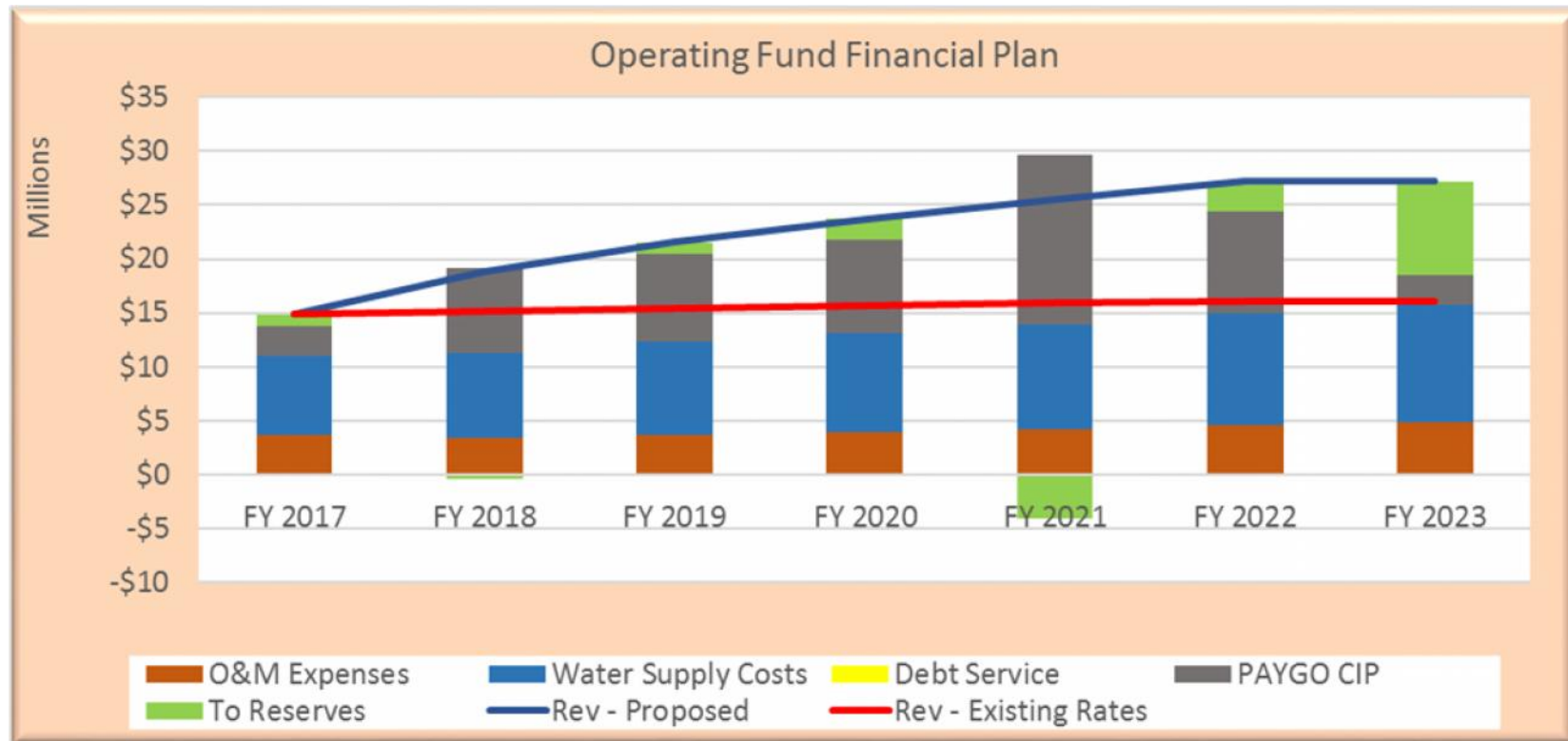




# *SAMPLE* FUND 711 ENDING BALANCES HIGH PROJECT DELIVERY



# SAMPLE: FINANCIAL PLAN RESULTS LOW PROJECT DELIVERY

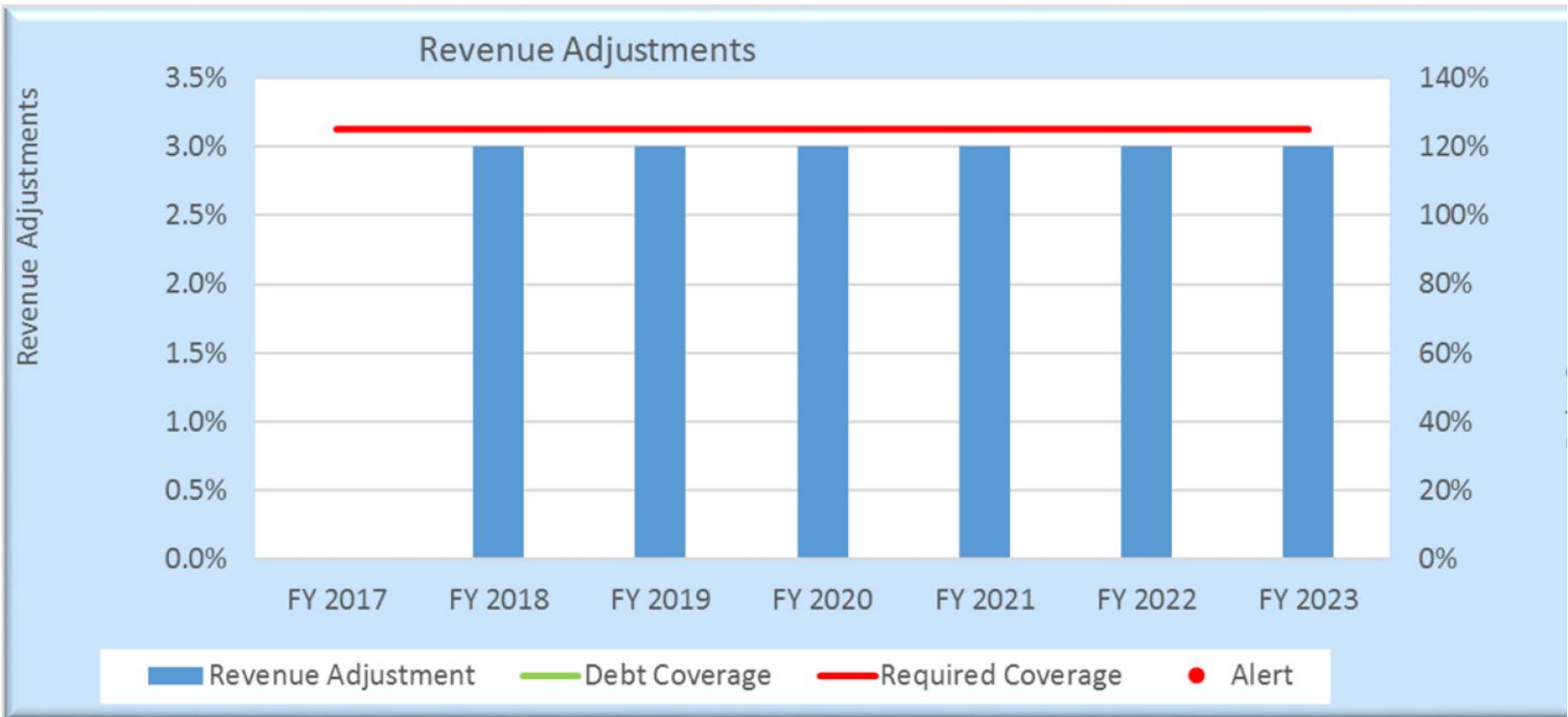


# SAMPLE: REVENUE ADJUSTMENTS

## LOW PROJECT DELIVERY – No AMI

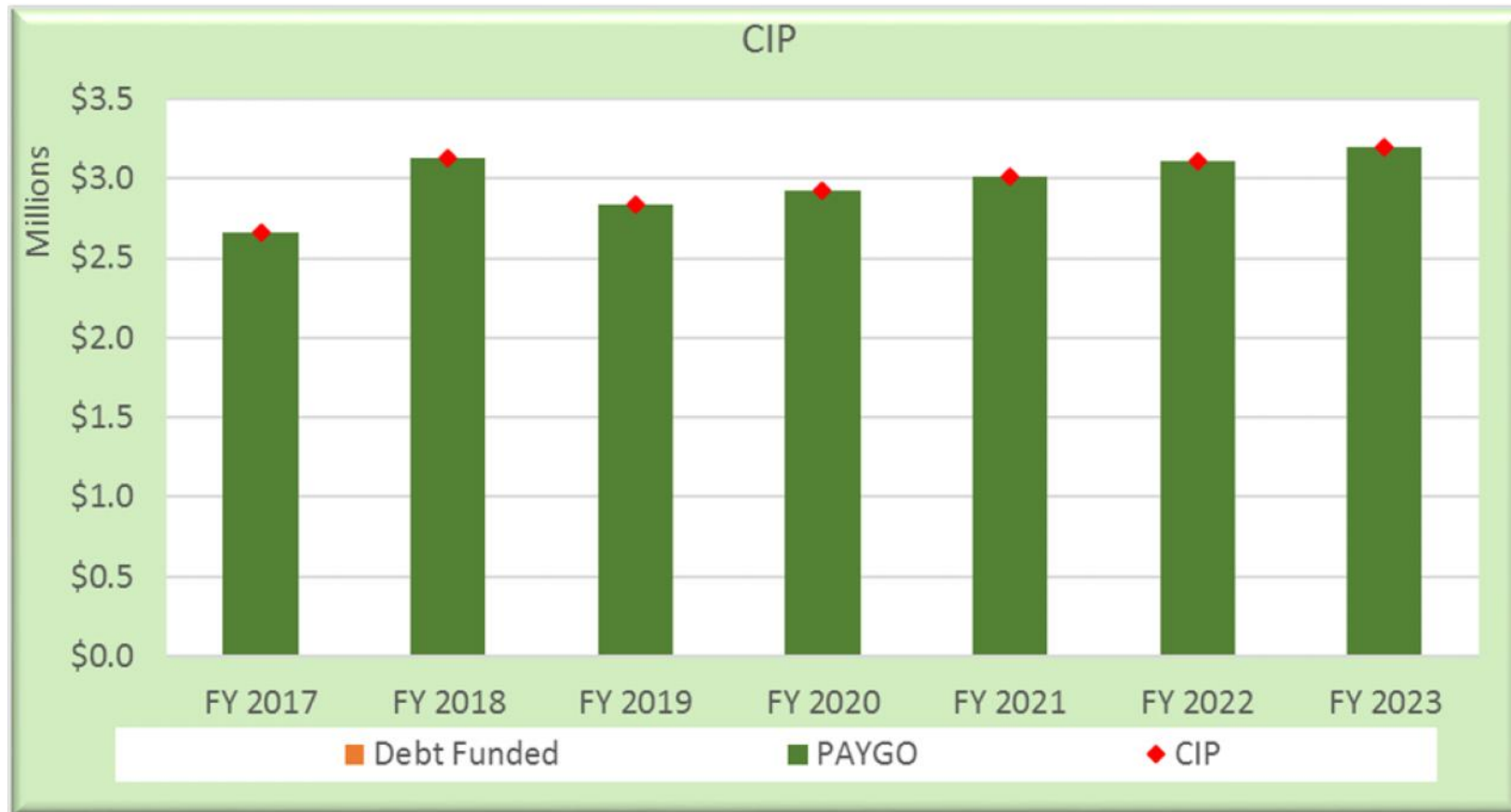
Dashboard		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Control Panel								
Revenue Adjustment			3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Effective Month		Jul	Jul	Jul	Jul	Jul	Jul	Jul
Demand Factor		106.0%	104.0%	103.0%	100.0%	100.0%	100.0%	100.0%
Net Operating Revenue		\$3,852,744	\$4,227,842	\$4,087,154	\$3,960,412	\$3,778,844	\$3,529,427	\$3,172,990
<b>Supply Mix</b>								
Groundwater		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
PCWA		90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Transfer to Fund 711					\$1,000,000			
Debt Issuance Amount								
Years Displayed	7							
CIP Option	Low Project Delivery							
Fund AMI?	FALSE							
Rate Funding of 5 MG Tank	0.0%							
Financial Policy								
Operating Reserve	50.0% of O&M							
Capital Reserve	100.0% of one-yr. avg. CIP							
Rate Stabilization Fund								
Emergency								
Required Debt Coverage	125.0%							

***SAMPLE:* REVENUE ADJUSTMENTS**  
**LOW PROJECT DELIVERY – No AMI**



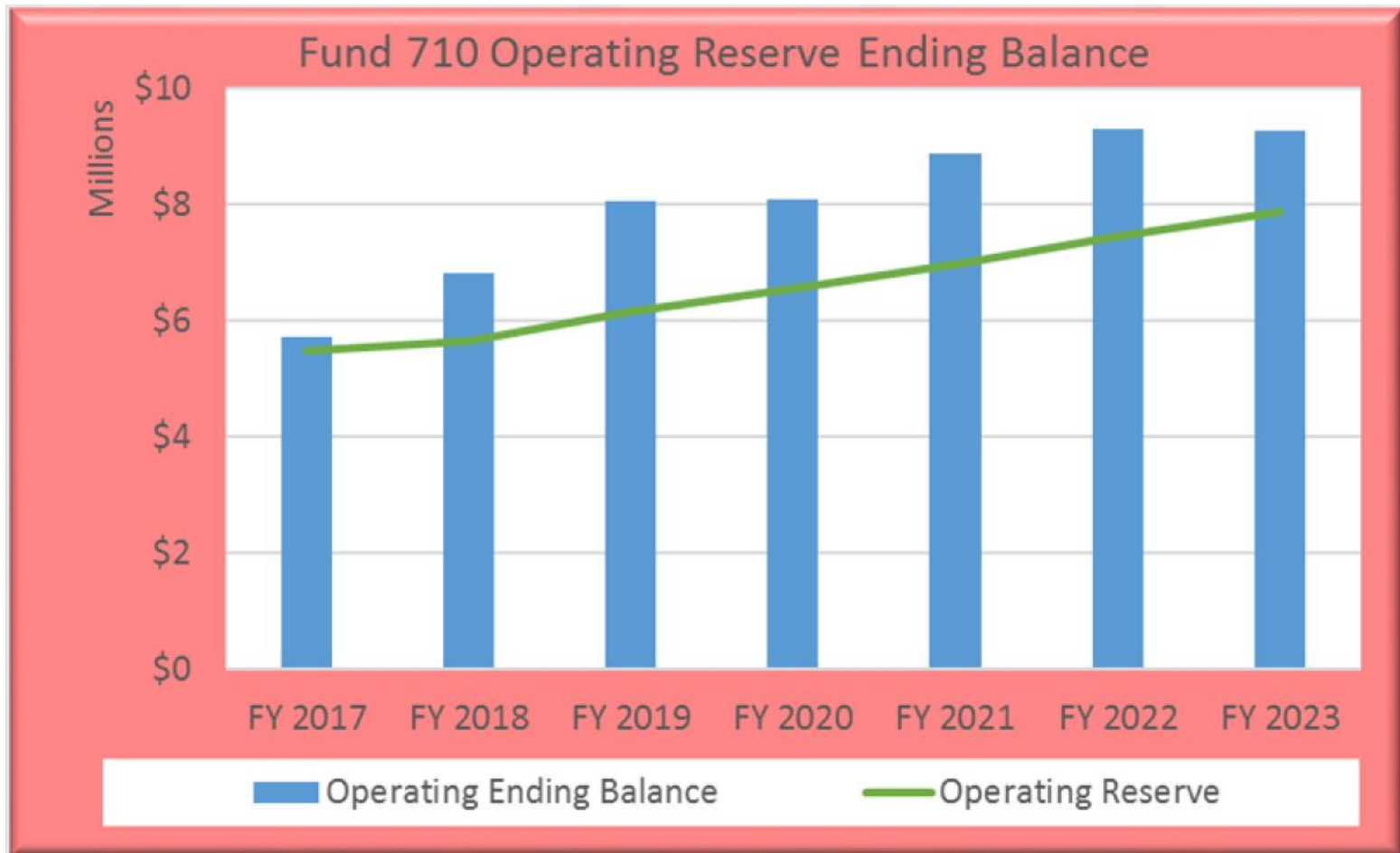
# ***SAMPLE: CIP ANNUAL EXPENDITURES***

## **LOW PROJECT DELIVERY – No AMI**



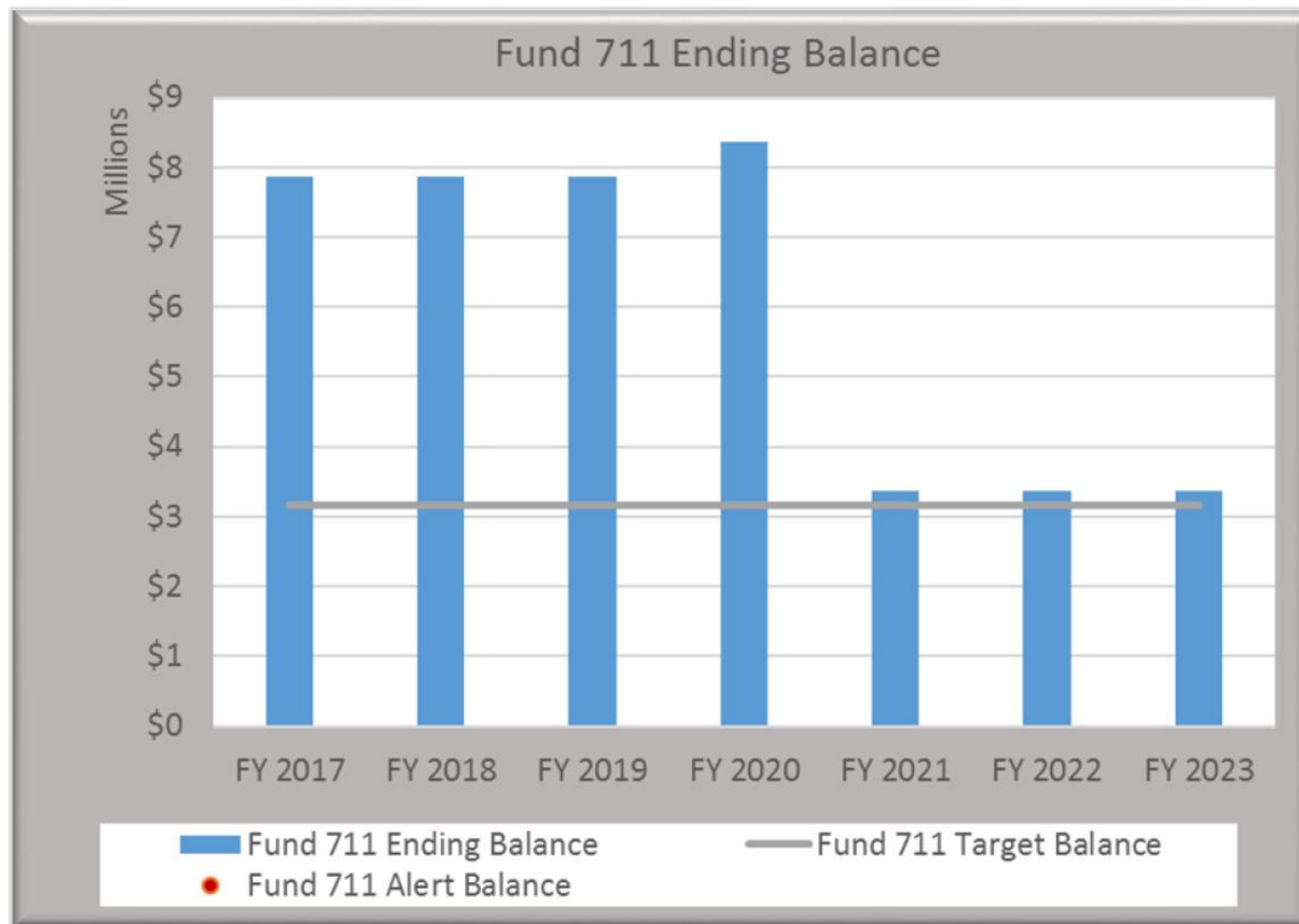
# ***SAMPLE: OPERATING FUND BALANCES***

## **LOW PROJECT DELIVERY – No AMI**

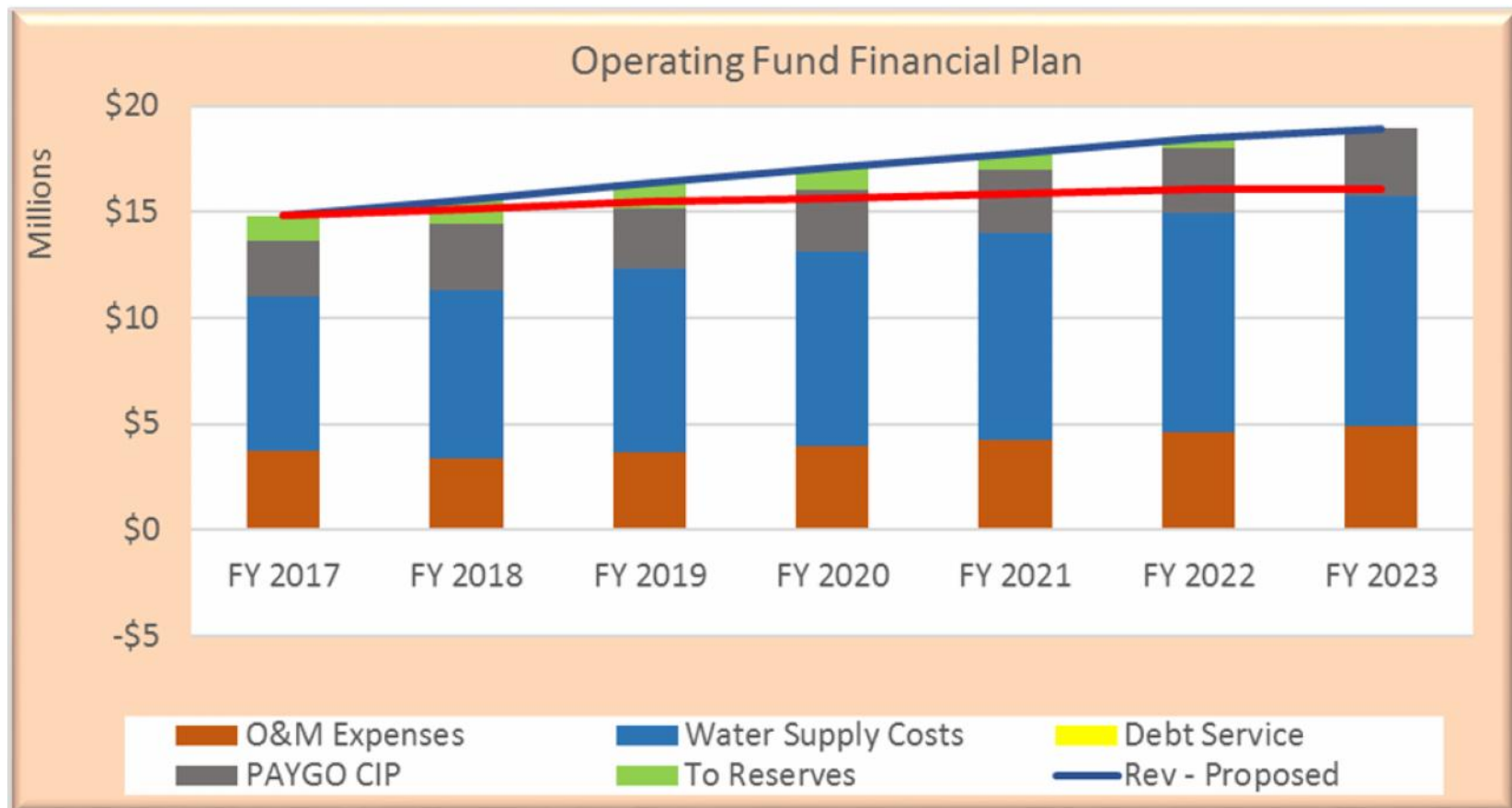


# SAMPLE FUND 711 ENDING BALANCES

## LOW PROJECT DELIVERY – No AMI



# SAMPLE: FINANCIAL PLAN RESULTS LOW PROJECT DELIVERY – No AMI





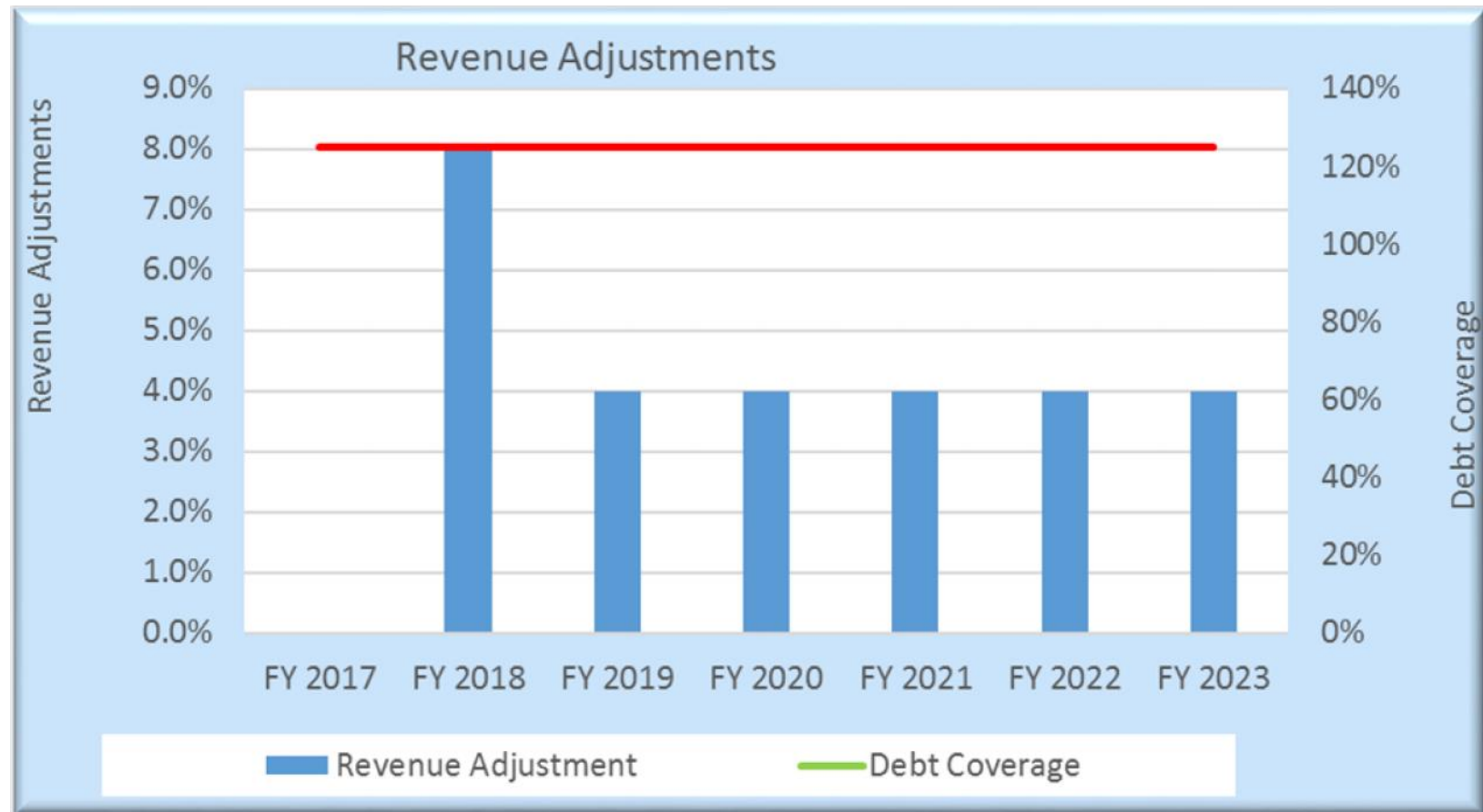
# SAMPLE: REVENUE ADJUSTMENTS

## MEDIUM PROJECT DELIVERY – No AMI

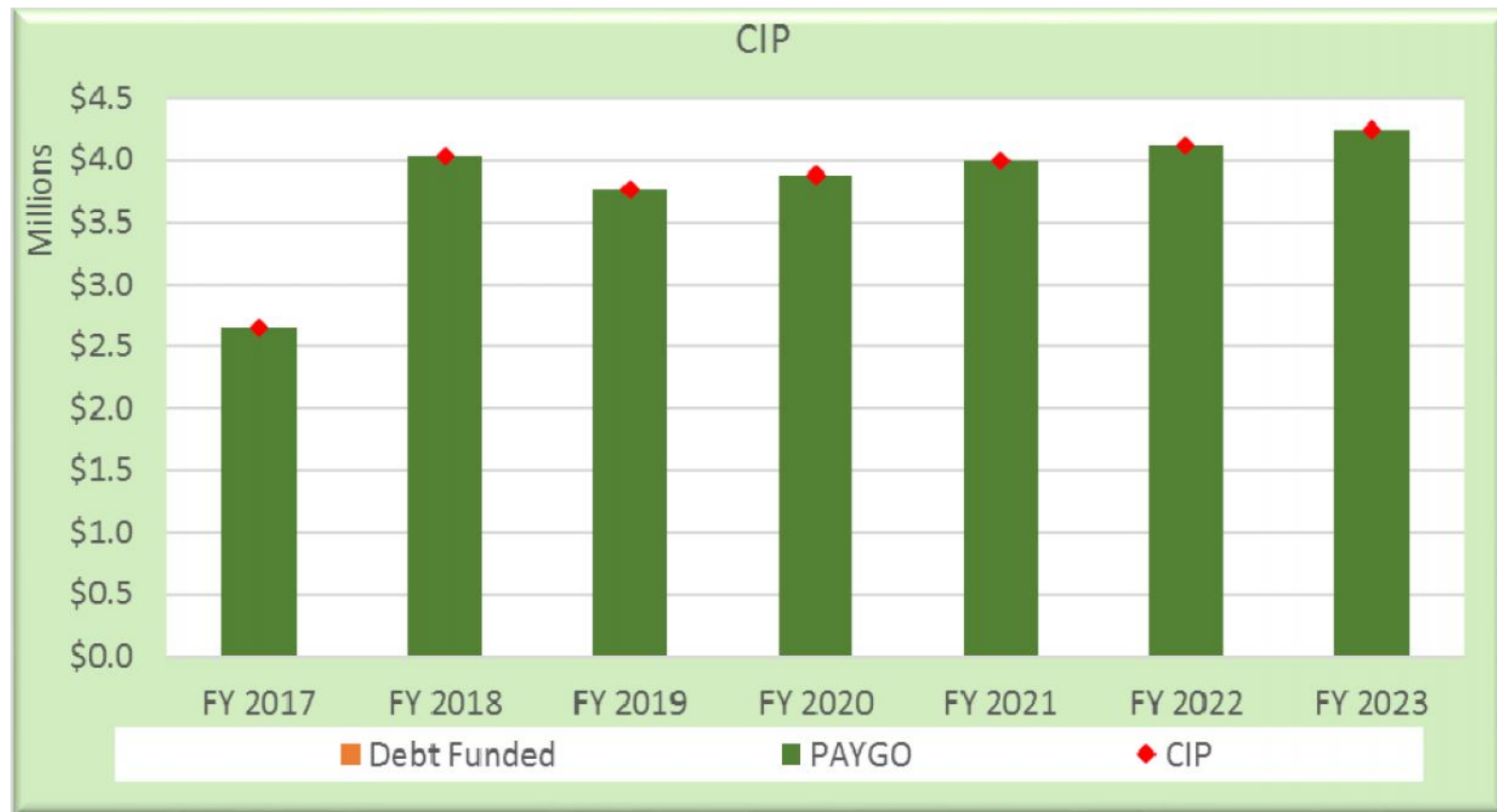
Dashboard Control Panel		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenue Adjustment			8.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Effective Month		Jul	Jul	Jul	Jul	Jul	Jul	Jul
Demand Factor		106.0%	104.0%	103.0%	100.0%	100.0%	100.0%	100.0%
Net Operating Revenue		\$3,852,744	\$4,969,745	\$4,999,913	\$5,039,285	\$5,028,035	\$4,953,162	\$4,754,917
<b>Supply Mix</b>								
Groundwater		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
PCWA		90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Transfer to Fund 711						\$2,000,000		
Debt Issuance Amount								
Years Displayed	7							
CIP Option	Medium Project Delivery							
Fund AMI?	FALSE							
Rate Funding of 5 MG Tank	0.0%							
Financial Policy								
Operating Reserve	50.0%	of O&M						
Capital Reserve	100.0%	of one-yr. avg. CIP						
Rate Stabilization Fund								
Emergency								
Required Debt Coverage	125.0%							

# ***SAMPLE: REVENUE ADJUSTMENTS***

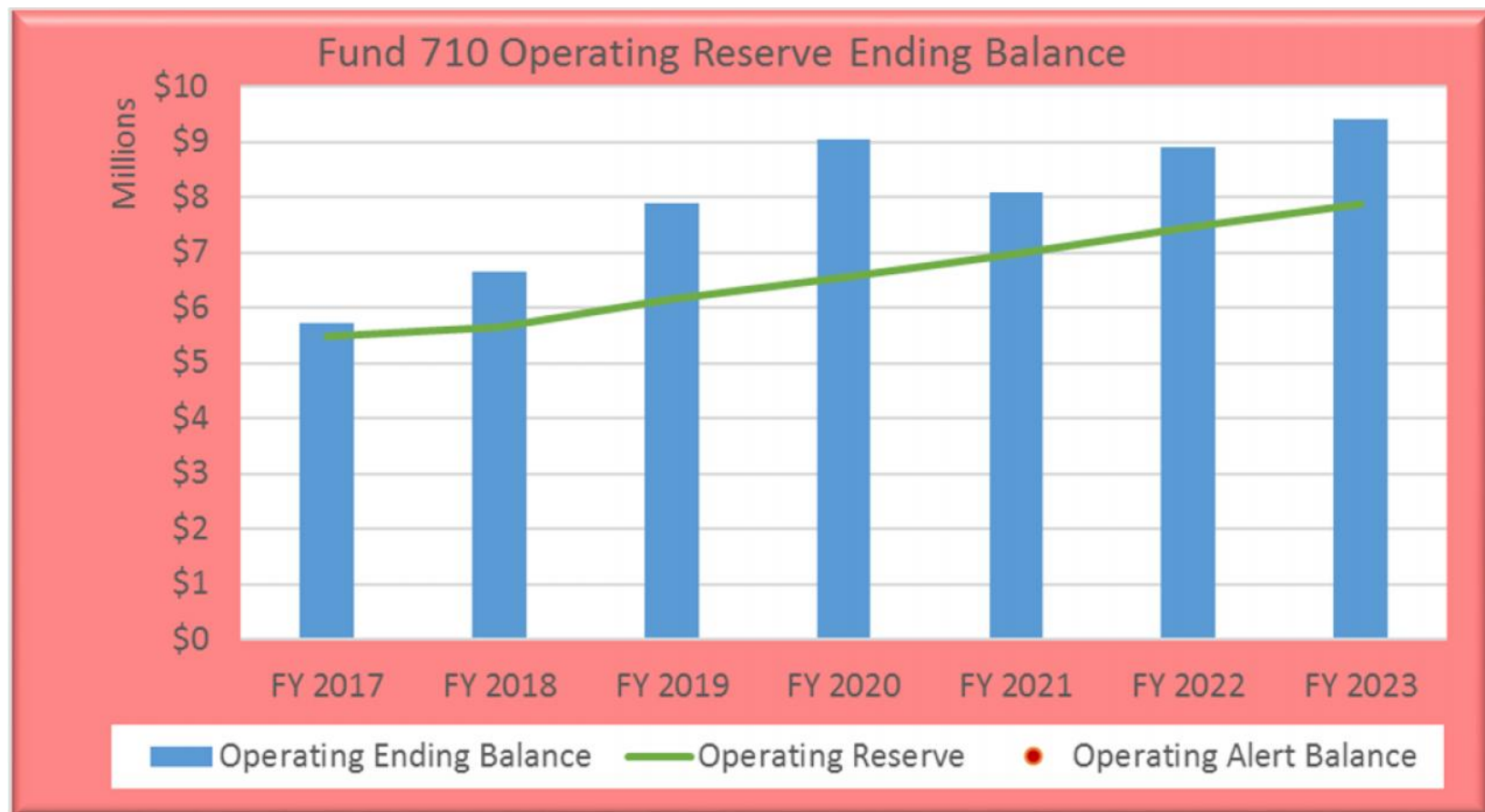
## **MEDIUM PROJECT DELIVERY – No AMI**



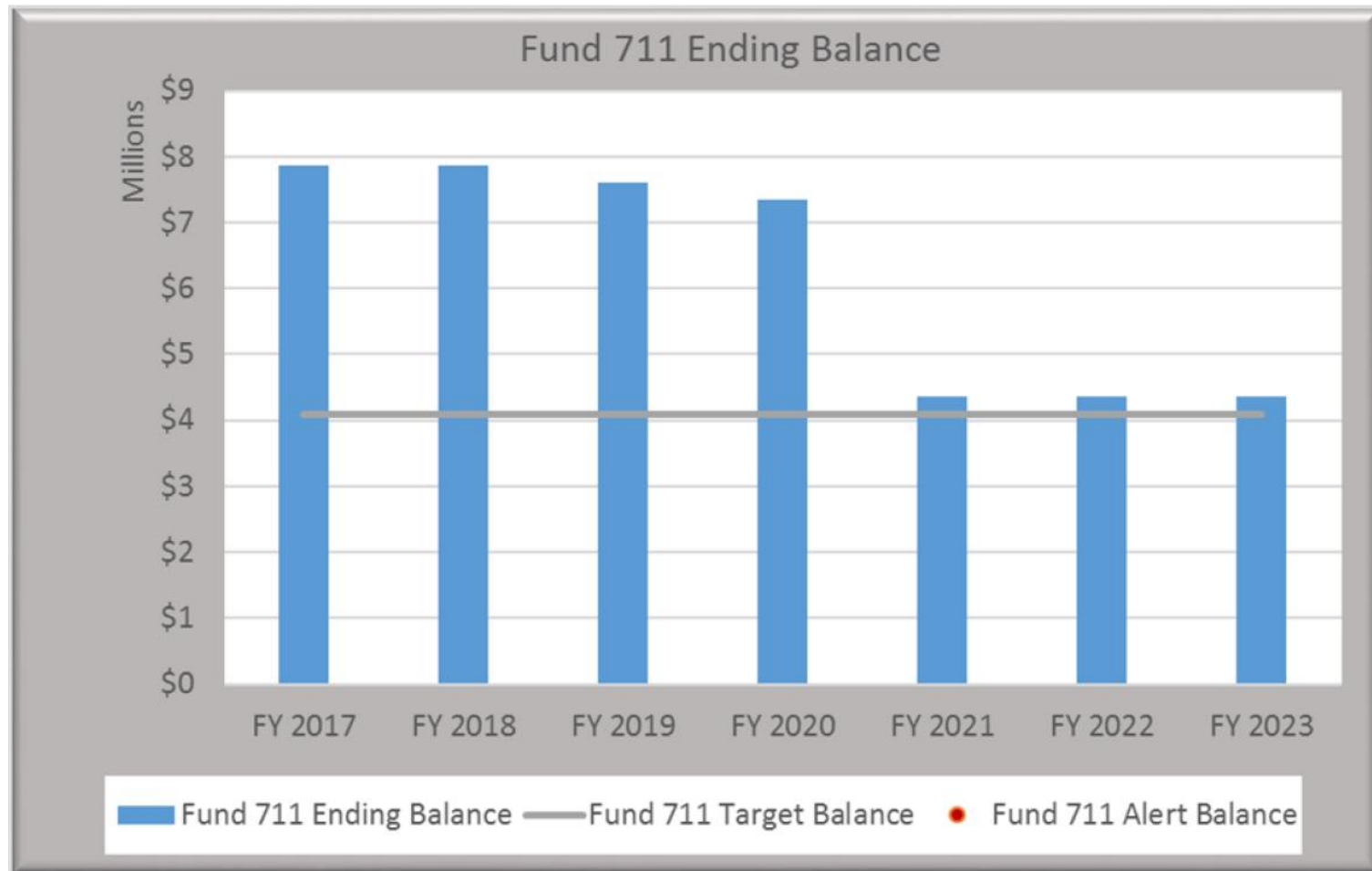
# ***SAMPLE: CIP ANNUAL EXPENDITURES MEDIUM PROJECT DELIVERY – No AMI***



# ***SAMPLE: OPERATING FUND BALANCES*** **MEDIUM PROJECT DELIVERY – No AMI**

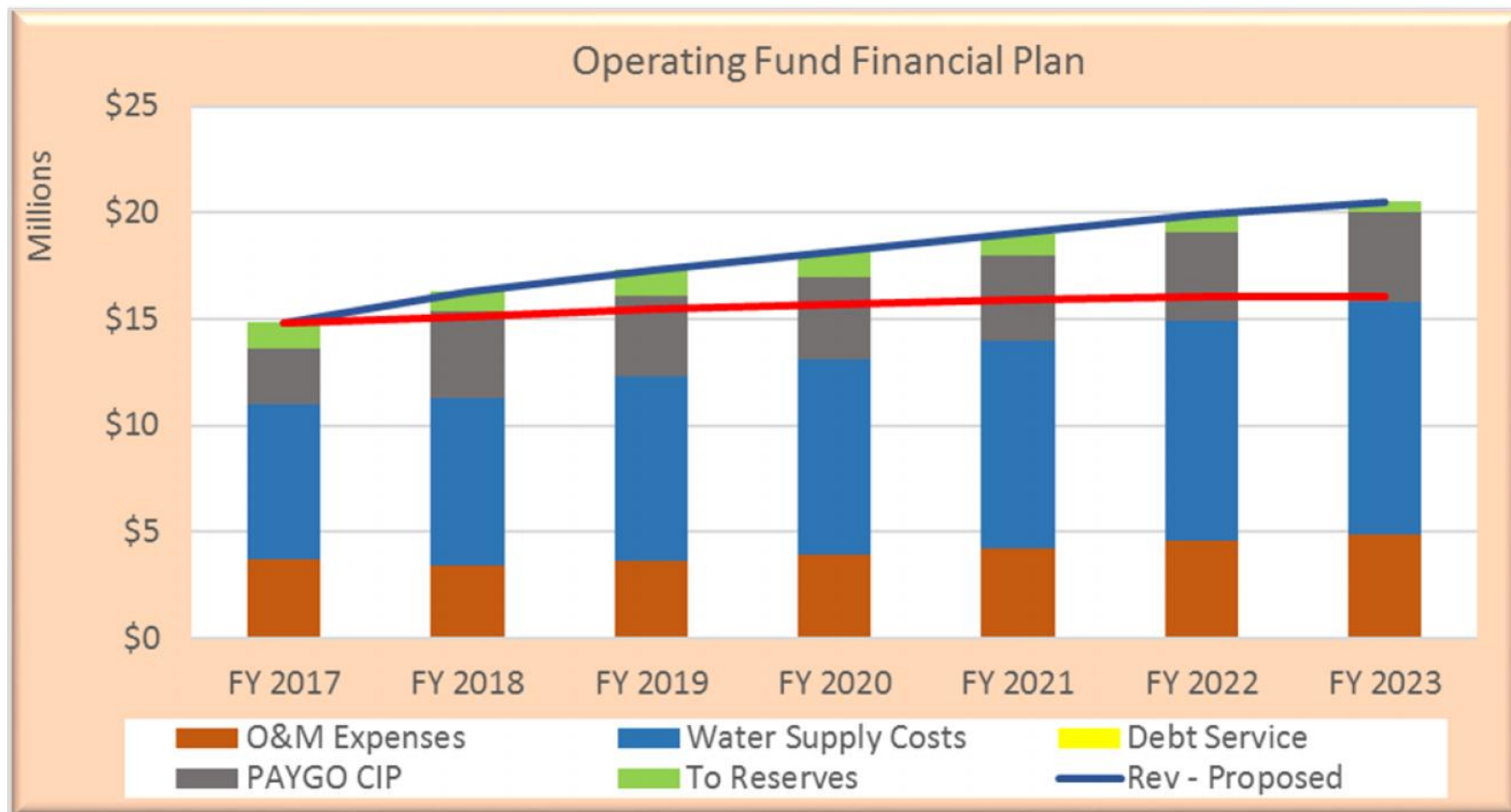


# *SAMPLE* FUND 711 ENDING BALANCES MEDIUM PROJECT DELIVERY – No AMI



# ***SAMPLE: FINANCIAL PLAN RESULTS***

## **MEDIUM PROJECT DELIVERY – No AMI**

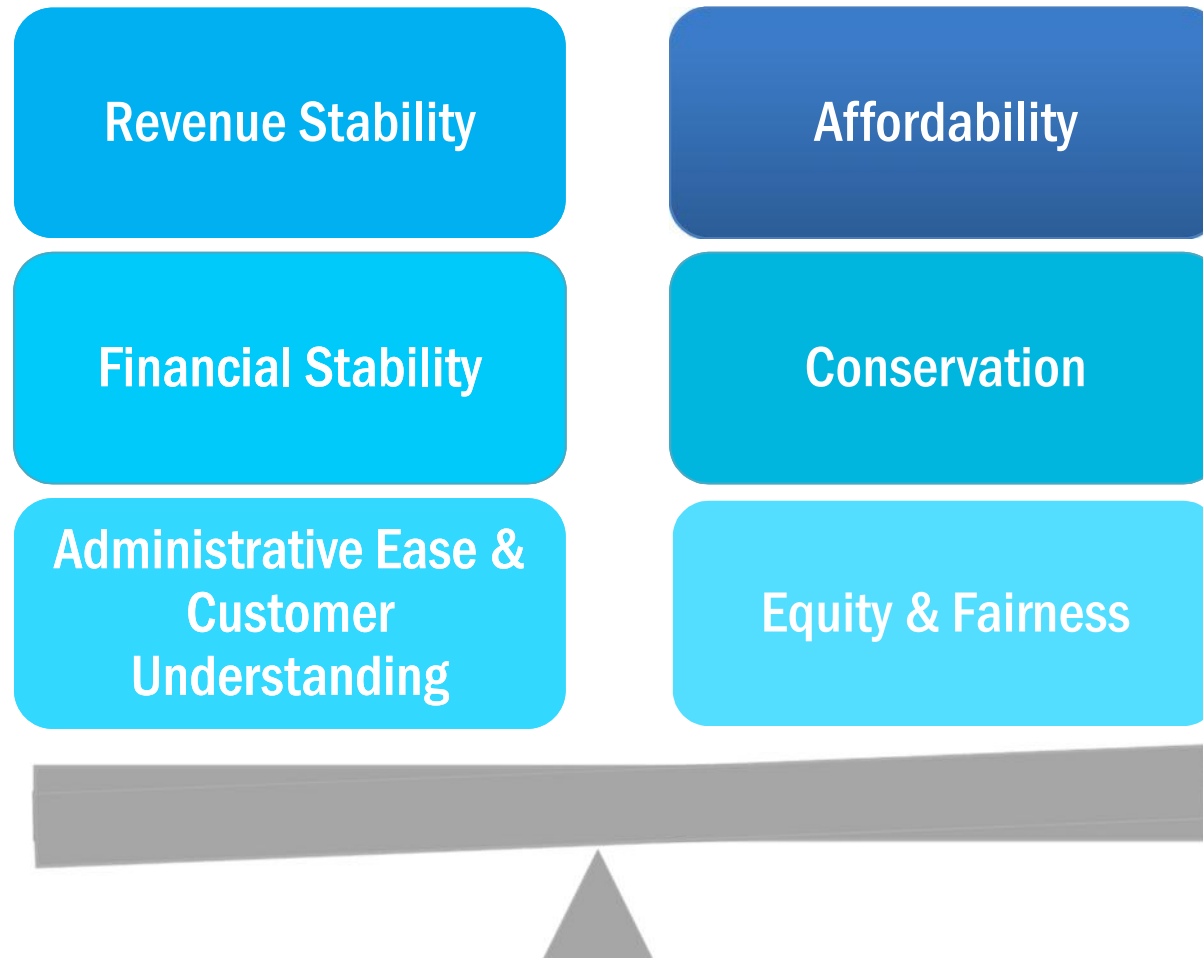




# **PRICING OBJECTIVES DISCUSSION & WATER RATE STRUCTURE EVOLUTION**

# BALANCING COMPETING PRICING OBJECTIVES

*Selected Rate structure will be based on the criteria most important to the District*





# OBJECTIVES DEFINED

**Administrative Ease & Customer Understanding** Simple, easy to understand, easy to bill and to explain to customers.

**Affordability** Cost to the customer. If low cost is a main concern, please rank this highly (e.g. 1 or 2).

**Conservation** The need to reduce water in light of drought or other low water supply concerns.

**Equity and Fairness** Concern over fairly allocating system costs. Can also include concern about low income customers.

**Financial Stability** Assuring financial viability, implementing “best business” practices, desire to obtain or maintain debt at reasonable cost.

**Revenue Stability** Emphasizes a dependable cash flow to fund system operations.

# RESULTS FROM COMMITTEE PRICING OBJECTIVES EXERCISE

City of Lincoln Water Rate Study Committee - Pricing Objectives Homework Assignment Ranking Results													
Pricing Objective	#1	#2	#3	#4	#5	#6	#7	#8	#9	Average	Most 1's	Most 6's	Range**
Administrative Ease & Understanding	5	5	5	4	5	1	6	6	4	4.6			1-6
Affordability	2	1	1	3	4	3	3	1	1	2.1	4		1-4
Conservation	6	6	6	6	6	5	4	4	6	5.4		6	4-6
Equity & Fairness	4	3	2	5	3	4	5	3	5	3.8			2-5
Financial Stability	1	2	3	1	1	2	1	2	2	1.7	4		1-3
Revenue Stability	3	4	4	2	2	6	2	5	3	3.4			2-6

# ALTERNATIVE WATER RATE STRUCTURES

Pricing Objectives	Uniform	Tiered
Revenue Stability	• • •	• •
Simple to Understand, Administer and Update	• • • •	• • •
Promotes Conservation/Efficiency	• •	• • •
Affordable for Essential Use	• •	• • •
Equity / Fairness	• • •	• • • •
Financial Stability	• • • •	• • • •

*Must be cognizant of current rate structure and how changes may impact customers*



## City of Lincoln - 2017 Ad Hoc Water Rate Committee “Homework Assignment” on Reserve Levels and CIP Preferences

Based on the presentation and group discussion at the last Water Rate Committee Meeting (March 20<sup>th</sup>) and any thought you have given to the matter since the meeting, please register your opinion about the preferred level of Operating and Capital Reserves and about the preferred level of Capital Improvement Plan (CIP) spending. Several of you spoke at the time and your comments were noted. However, we want to make sure we hear from everyone on the Committee. Your responses and any additional comments you provide will be considered and discussed with City Staff. Thank you for participating.

### Suggested Level of Operating Reserves

Operating Reserve Fund levels are shown as a percentage of annual Operations and Maintenance (O&M) budget amounts. Please choose one.

25% \_\_\_\_\_ 33% \_\_\_\_\_ 50% \_\_\_\_\_ Other \_\_\_\_\_

### Suggested Level of Capital Reserves

RFC has been assuming a Capital Reserve of one-year of average CIP. This is a typical practice designed to cover costs of potential projects underway, but it will fluctuate depending on the Cap. Alternatively, a consistent “flat” dollar amount could be chosen.

Average annual CIP budget \_\_\_\_\_ Flat amount \_\_\_\_\_

If flat, what amount? \_\_\_\_\_



## Capital Improvement Plan Options

Capital improvement CIP options include repair and replacement of pipes as well as several other proposed projects, specifically an Advanced Metering Infrastructure Project (AMI) estimated at \$7.3 M and construction of a new 5 - million gallon (5 MG) storage tank (estimated cost \$5.5 million.) Pipeline repair and replacement schedules based on a low, medium, or high paced schedule of repair were presented at the meeting and are also described in the Power Point handout. The medium and high paced schedules prepared by the City Engineer included the costs of the 5 MG tank, but the 5 MG tank could also be funded using the existing Capital Reserve Balance.

### AMI Project

Yes \_\_\_\_\_ No \_\_\_\_\_ Maybe later \_\_\_\_\_ Possibly with debt financing \_\_\_\_\_

### 5 MG Tank

Yes \_\_\_\_\_ Ok, but only if using existing Capital Reserve to fund it \_\_\_\_\_

No \_\_\_\_\_ Maybe later \_\_\_\_\_ Possibly with debt financing \_\_\_\_\_

## Repair and Replacement Schedule

Please mark your preferred schedule for pipeline repair and replacement CIP budget assumptions.

Low (approx. \$2.6 million per year; overdue repairs w/in 16 yrs.) \_\_\_\_\_

Medium (approx. \$3.6 million per year; overdue repairs w/in 10 yrs.) \_\_\_\_\_

High (approx. \$7.0 million per year; overdue repairs w/in 5 yrs.) \_\_\_\_\_